MEGAWIDE CONSTRUCTION CORPORATION
Company's Full Name

2/F Spring Bldg.,
Arnaiz Ave. cor. P. Burgos St., Pasay City
Company's Address

655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17 – Q
Form Type

June 30, 2018
Period Ended Date

_

(Secondary License Type and File Number)

cc: Philippine Stock Exchange

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 **June 30, 2018**

2. SEC Identification Number **CS200411461**

3. BIR Tax Identification No. **232-715-069-000**

4. Exact name of issuer as specified in its charter **Megawide Construction Corporation**

5. Province, Country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code (SEC Use Only)

7. Address of Principal Office **2/F Spring Bldg. Arnaiz Ave. cor. P. Burgos St., Pasay City, Metro Manila**

   Postal Code

8. Issuer's telephone number, Including area code **(02) 655-1111**

9. Former name, former address and fiscal year, if changed since last report **Not Applicable**

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding (₱)
Common	2,138,577,497	0
Preferred	40,000,000	0

11. Are any or all these securities listed on a stock exchange?

    Yes [√] No [ ]

    If yes, state the name of such stock exchange and classes of securities listed therein:

    Philippine Stock Exchange **Common and Preferred Stock**

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 of 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 90 days.

Yes [√] No [ ]

PART I –FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements of Megawide Construction Corporation ("Megawide") as of June 30, 2018 with comparative figures as of December 31, 2017 and June 30, 2017, Cash Flows and Schedule of Aging Accounts Receivable is incorporated by reference as Exhibit 1.

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

A. <u>RESULTS OF OPERATIONS</u>

Review of results for the six (6) months ended June 30, 2018 as compared with results for the six (6) months ended June 30, 2017

Diversified engineering and infrastructure conglomerate Megawide Construction Corporation ("the Company") posted a 10% increase in consolidated net profit as of the end of second quarter of 2018 to Php1.26 billion from Php1.15 billion in the same period last year. The continued growth of the Group's profit is driven by robust performance of the airport business segment, which now contributes 65% of the total company's net profits. Construction business segment accounted for the balance 35% of total net profit.

The Company, derived 82% of revenue from Construction business while airport business including, merchandising, contributed 18% to the total. The Group's generated revenues of Php8.96 billion was 6% lower than the Php9.50 billion posted in the comparable period in 2017, as a result of the cyclical nature of the construction business segment.

The consolidated EBITDA margin stood at 27% as of the end of second quarter from 23% of the same period in previous year, consequently there is 10% improvement from last year's Php2.21 billion.

Business Segments

Construction

Construction revenues ended second quarter at Php7.36 billion, an 11% decline from Php8.30 billion in the prior year, due to the varying stages of construction of projects in the order book and scheduled start of construction of the new projects booked towards the end of 2017 such as Hampton O&P, Cold Storage Caloocan and 8990 Ortigas, Ascott-DD Meridian Park and Double Dragon Tower Phase 3. New contracts booked amounted to Php14.18 billion at the end of the quarter. This is 131% of the total new contracts booked in the full year of 2017. This brought the total outstanding order book to Php39.88 billion by end-June, providing revenue visibility for the next two years. Order book is comprised mainly of residential projects at 58%, office and commercial at 28% while infrastructure projects increased its contribution to 14%, with the addition of Clark International Airport EPC. New projects also include Gateway Mall 2 Hotel, Golden Bay Tower, Taft East Gate and Space Ubelt. Orderbook also includes supply and installation of precast to various external clients including Phirst Park Homes owned by Tanza Properties, Inc, a subsidiary of Century Properties, Inc. Meanwhile, gross profit margin was maintained at 16% level.

With the efficiency in operations, Construction EBITDA stands at 18% or Php1.33 billion from last year's same period of 17%. The Company was able to maintain its construction net margin within its comfortable level at 6% at the end of the period.

Airport Operations

Airport operations reached Php1,322.2 million of revenues, 14% higher year-on-year from Php1,155.7 million, on the back of the double-digit growth in passenger volume of 12%, with international outperforming domestic passenger growth at 17% and 10%, respectively.

Non-aero or commercial revenues, which contributed 32% to the total, grew by 18% to Php423 million. Passenger service charge, representing 56% of airport revenues, increased by 13% to Php743 million driven by the double-digit growth in passenger throughput. The remaining 12% is accounted for Aero-related revenues, which increased by 11% to Php156 million.

With the growth in revenues and drop in operating expenses, airport EBITDA grew by 22% to Php990.1 million from Php809.3 million at the end of the quarter. This led to an EBITDA margin of 75% from 70% last year. Net income jumped by 34% to Php739.2 million compared with Php550.9 million in the same period last year. Net income margin improved to 56% from 48%.

At the end of the second quarter, MCIA handled 5.8 million passengers, with domestic passengers representing 67% while international passengers at 33%. Air traffic volume increased by 13%, with 15% increase in international and 12% growth in domestic traffic. The over-all increase in passenger traffic was brought about by new airlines and routes in both international and domestic sectors. To date, the Company is serving 32 domestic and 24 international destinations, with nine local and 17 international airline partners. Mactan

Cebu Airport Terminal 2 was inaugurated last June 7, 2018 and started its commercial operations in July 2, 2018.

Contributions from the new airport merchandising segment are also expected to grow with the increase in foreign tourists. At the end of the second quarter, airport merchandising revenue stood at P273.2 million. Currently operating in Terminal 2, airport merchandising is expected to expand its operation to Terminal 1 in the near future.

Direct Costs decreased by 10% or P721.21 million
The movement in direct cost is paralleled with movement in revenue across all three segments.

Gross Profit increased by 8% or P176.42 million
The net movement in operating revenues and expenses resulted in a consolidated gross profit of P2.50 billion in 2018, rising by 8% from last year's P2.32 billion. Gross profit earned by construction business is P1.16 billion or 46% of the Group's gross profit, while P1.14 billion or 46% is accounted for airport operation and the balance to merchandising segment. Despite the decrease in revenue, the Group's profit margin still exceeded the prior year's performance.

Other Operating Expenses decreased by 3% or P17.71 million
The slight decrease in operating expenses is primarily attributable to the decrease in operating expenses of the construction segment.

Finance cost increased by 55% or P237.15 million
Increase is due to P140.64 million interest expense recognized by the construction segment as a result of the adoption of the new accounting standard implementation of PFRS 15, *Revenue from Contracts with Customers*, while airport operation incurred higher interest expense amounting to P167.90 million as a result of its availments of loans.

Finance income decreased by 17% or P15.02 million
Decrease is due to decrease in short-term placements of construction segment.

Other income, net increased by 428% or P197.99 million
In 2018, other income of the Parent derived from equipment rental has significantly increased and there is unrealized market to market gain of airport segment on its interest rate swap transaction.

Tax expense increased by 11% or P28.80 million
Increase in tax expense is due to increase in profit of the Group.

B. FINANCIAL CONDITION

Review of financial conditions of June 30, 2018 as compared with financial conditions of December 31, 2017

Financial Condition

Current Assets increased by 4% or P812.79 billion
The following discussions provide a detailed analysis of the increase in current assets:

Cash and cash equivalents decreased by 10% or P475.98 million
The decrease in cash & cash equivalents is basically due to the cost incurred in the construction of Terminal 2 of Cebu Mactan International Airport amounting to P2.34 billion. Total cash used in investing activities by the Group amounted to P2.39 billion which also includes capital investments on land, warehouse, construction and transportation equipment, office and IT equipment by the Group amounting to P211.29 million, investment in subsidiaries amounting to P745.00 million. The Parent liquidated portion of its short-term placement amounting to P1.15 billion to fund its investment on subsidiaries and purchase of fixed assets. There is also additional placement of unrestricted cash amounting to P189.54 million in the Restricted Funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loans availments by GMCAC. The Group's operating activities provided cash inflow amounting to P1.53 billion while financing activities provided cash inflow of P390.40 million.

Financial assets at fair value through profit or loss decreased by 36% or P1.15 billion
The Parent terminated portion of its placement to fund its equity in MWM, Inc and procurement of construction equipment.

Trade and other receivables increased by 34% or P2.21 billion
Increase is mainly due to the timing difference in the collection cycle of trade receivable of the Group which is 45 to 60 days from invoice date. In addition, retention receivables increased by P268.22 million. Retention receivable pertains to progress billings which is withheld by the project owner equivalent to 5% to 10%. Retention receivable is collected upon issuance of certificate of completion by the project owner.

Construction materials decreased by 10% or P57.83 million
Decrease in mainly due to timing of delivery of construction materials.

Contract assets – net increased by 1% or P19.49 million
The slight movement is the typical cycle for projects near completion stage such as University Tower 4, Cyber Park Tower 2, World Plaza, Arthaland Superstructure, Landers Arcovia & Alabang and Project Delta Phase 1, wherein minimal revenues were recognized and similarly for new projects that just started because physical accomplishments are yet to be realized compared to cost accrued associated to mobilization and preliminary costs. These are projects like Urban Deca Ortigas, Taft East Gate, The Albany Luxury Residences and Golden Bay Aspire.

Other current assets increased by 20% or P270.19 million
The increase is due to advances made by the Parent to its suppliers and subcontractors.

Non-current assets increased by 9% or P3.24 billion
The following discussions provide a detailed analysis of the increase in non-current assets:

Investments in associates and joint venture increased by 68% or P748.60 million
The Parent Company infused cash in MWM, Terminals Inc. (MWMTI) amounting to P733.45 million. MWMTI, the Consortium between Megawide and WM Property Management, will construct, operate and maintain the integrated transport southwest terminals, pursuant to the Concession Agreement that was signed on February 25, 2015 by MWMTI and DOTC. The Group also recognized its share in net earnings on its investments in associates amounting to P6.62 million.

Concession asset increased by 9% or P2.26 billion
Increase is due to capital investments of airport subsidiary GMCAC related to the construction of the new Terminal 2 of Mactan-Cebu International Airport.

Property, plant and equipment decreased by 2% or P95.41 million
The Group procured new property and equipment amounting to P207.63 million which includes the Parents capital investments on land, warehouse, construction and transportation equipment while GMCAC's invested in office and IT equipment. The total depreciation of the Group, excluding the amortization of concession assets, amounted to P303.11 million as of end of June 30, 2018.

Other non-current assets increased by 13% or P346.08 million
Increase is mainly due to additional placement of unrestricted cash amounting to P189.54 million in the Restricted Funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loans availments by GMCAC. Deferred input vat of the Group also increased by P69.51 million as a result of purchase of materials and services for the construction of Cebu Mactan Terminal 2 and purchase of construction equipment. In addition, derivative asset of GMCAC on its interest rate swap increased by P65.98 million as a result of favorable movement of interest rate in 2018.

Current liabilities increased by 17% or P1.58 billion
The following discussions provide a detailed analysis of the increase in current liabilities:

Trade and other payables increased by 8% or P431.84 million
The increase is mainly due to volume and schedule of purchases of materials and services that is directed by the cyclicality of construction accomplishment of every project. Timing of payments to suppliers and subcontractors also affects the movement of trade payables. Retention payable increased by P186.26 million as a result of the progress billings processed and accrued by the Group as of the end of the quarter. In addition, accrued expenses increased by P267.60 million due to billings received from various suppliers towards the end of the quarter but subsequently processed while security deposits received by GMCAC from concessionaires also increased by P94.76 million.

Advances from customers increased by 202% or P1.06 billion
The net increase is due to the new downpayments received by the Parent for its new projects.

Contract liabilities – net increased by 14% or P126.90 million
Increase is mainly due to the accomplishments of significant contracts such as Urban Deca Tondo of 8990 Holdings, Cyber Park Tower 2 of the Araneta Group, Double Dragon Plaza and DD East & West of the DD-Meridian Park, Southeast Asia Campus, St. Moritz Cluster 1 and 2, 10 West Campus and One Manchester Place of Megaworld Corporation, Jollibee Projects of Zenith Foods Corp. and Southwest Integrated Transport System under MWM Terminals, Inc. These projects also contributed a big portion of the Parent's total construction revenue.

Other current liabilities increased by 6% or P7.96 million
Increase is due to increased unearned income of GMCAC on advertising revenues like booth rentals and increase in withholding taxes on purchases and compensation.

Non-Current liabilities increased by 5% or P1.37 billion
The following discussions provide a detailed analysis of the increase in non-current liabilities:

Interest-bearing loans and borrowings - non-current increased by 4% or P1.17 billion
The increase is the net of GMCAC and MGCJV Inc. availment amounting P1.66 billion and P181.19 million, respectively, and Parent's loan repayment amounting to P664.00 million. MGCJV Inc. is the joint venture of the Parent and GMR Group established to construct the new Clark International Airport.

Post-employment defined benefit obligation – increased by 10% or P16.72 million
This is due to accrual of retirement obligation of the Parent.

Deferred tax liabilities increased by 132% or P93.45 million
The increase is due to the timing difference of the actual cost and estimated cost of the construction segment.

Other non-current liabilities increased by 36% or P85.45 million
The increase is mainly due to retention payable of GMCAC related to the construction of the new terminal 2 of Mactan-Cebu International Airport increased.

Equity attributable to Parent increased by 5% or P768.01 million
The increase is mainly the function of the Group's share in net income.

C. MATERIAL EVENTS AND UNCERTAINTIES

There are no other material chan ges in Megawide's financial position by five percent (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 impact or change reported financial information and condition of Megawide.

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 Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems. It 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 transactions, arrangements, obligations (including contingent obligations), and other relationships of Megawide with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of Megawide.

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

There are no explanatory comments on the seasonality of interim operations. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature. Neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

D. LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth information from Megawide's pro forma statements of cash flows for the periods indicated:

(Amounts in P millions)	**For six (6) months ended June 30**	
Cash Flow	2018 (unaudited)	2017 (audited)
Net cash provided (used) by operating activities	**1,529**	**1,315**
Net cash (used) provided in investing activities	**(2,395)**	**(3,261)**
Net cash provided (used) by financing activities	**390**	**1,222**

Indebtedness

As of June 30, 2018, Megawide has not been in default in paying interests and principal amortizations.

Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

E. RISK MANAGEMENT OBJECTIVES AND POLICIES

Megawide is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors, and focuses on actively securing Megawide's short-to-medium term cash flows by minimizing the exposure to financial markets.

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risk are discussed in the quarterly financial statements, Exhibit 1.

F. Key Performance Indicators

Megawide's top key performance indicators (KPIs) are listed below:

LIQUIDITY RATIOS		
Key Indicators	**June 30, 2018**	**June 30, 2017**
Current ratio[1]	1.78	1.82
Acid test ratio[2]	1.39	1.40
Cash ratio[3]	0.59	0.89
Book value per share[4]	5.56	4.92
SOLVENCY RATIOS		
Key Indicators	**June 30, 2018**	**June 30, 2017**
Total Debt ratio[5]	.51	.51
Interest coverage ratio[10]	4.40	5.69
Debt to equity ratio[11]	1.56	1.58
Asset to equity ratio[6]	3.04	3.10
PROFITABILITY RATIOS		
Key Indicators	**June 30, 2018**	**June 30, 2017**
Earnings per Share[7]	.37	.37
Return on Assets[8]	.02	.02
Return on Equity[12]	.07	.07
Net Profit Margin[9]	14%	12%

Notes:

1. Current Ratio (Current Assets / Current Liabilities)
   To test Megawide's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)
   Measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on inventory
3. Cash Ratio (Cash + Cash Equivalents + Marketable Securities/ Current Liabilities)
   A more conservative variation of quick ratio.It measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on receivables and inventory.
4. Book Value per Share (Equity/Shares Outstanding)
   Measures the amount of net assets available to stockholders of a given type of stock

5. Total debt ratio (Total Interest-bearing Debt/Total Assets)
   Measures the percentage of funds provided by creditors
6. Asset to equity ratio (Total Asset/Total Equity)
   Shows the relationship of the total assets to the portion owned by shareholders. Indicates Megawide's leverage, the amount of debt used to finance the firm.
7. Earnings per Share (Net Income/Average Outstanding Shares)
   Reflects Megawide's earning capability
8. Return on Assets (Net Income/Total Assets)
   Indicates whether assets are being used efficiently and effectively
9. Net Profit Margin (Gross Profit/Total Sales)
   Measures the percentage of net income to sales
10. Interest Coverage Ratio (Earnings before interest and taxes/Interest expense)
    Measures Company's ability to meet its interest payments
11. Debt to equity ratio (Total interest-bearing loans/Total Equity)
    Compares company's total debt to total equity
12. Return on Equity (Net profit/Average Equity)
    Measures Company's profitability

PART II–OTHER INFORMATION

There are no any information not previously reported in a report on SEC Form 17-C.

SIGNATURES

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

MEGAWIDE CONSTRUCTION CORPORATION

By:

EDGAR B. SAAVEDRA	**CHRISTOPHER NADAYAG**
President and Chief Executive Officer	*Deputy Chief Financial Officer / Principal Accounting Officer / Comptroller*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND DECEMBER 31, 2017
(Amounts in Philippine Pesos)

	UNAUDITED June 30, 2018	AUDITED December 31, 2017	Movement	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	P 4,454,957,590	P 4,930,939,177	(P 475,981,587)	-10%
Trade and other receivables - net	8,736,570,262	6,527,752,500	2,208,817,762	34%
Financial assets at fair value through profit or loss	2,057,581,712	3,209,481,581	(1,151,899,869)	-36%
Construction materials	519,463,683	577,294,069	(57,830,386)	-10%
Contract assets	2,115,078,648	2,095,587,099	19,491,549	1%
Other current assets	1,628,278,912	1,358,089,942	270,188,970	20%
Total Current Assets	19,511,930,807	18,699,144,368	812,786,439	4%
NON-CURRENT ASSETS				
Available-for-sale (AFS) financial assets	914,286,357	933,317,631	(19,031,274)	-2%
Investments in associates and joint venture	1,852,821,318	1,104,218,566	748,602,752	68%
Concession assets	27,864,120,423	25,608,295,463	2,255,824,960	9%
Property, plant and equipment - net	5,122,653,784	5,218,064,265	(95,410,481)	-2%
Investment properties	135,610,000	135,610,000	-	0%
Deferred tax assets - net	-	-	-	100%
Other non-current assets	3,065,247,957	2,719,165,512	346,082,445	13%
Total Non-current Assets	38,954,739,839	35,718,671,437	3,236,068,402	9%
TOTAL ASSETS	P 58,466,670,646	P 54,417,815,805	P 4,048,854,841	7%

	UNAUDITED June 30, 2018	AUDITED December 31, 2017	Movement	%
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	**P 2,509,690,923**	P 2,561,487,851	(P 51,796,928)	-2%
Trade and other payables	**5,677,086,527**	5,245,248,904	431,837,623	8%
Advances from customers	**1,589,158,144**	527,071,092	1,062,087,052	202%
Contract liabilities	**1,066,312,976**	939,417,541	126,895,435	14%
Other current liabilities	**147,961,792**	140,006,345	7,955,447	6%
Total Current Liabilities	**10,990,210,362**	9,413,231,733	1,576,978,629	17%
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	**27,560,073,858**	26,386,980,490	1,173,093,368	4%
Post-employment defined benefit obligation	**189,984,326**	173,266,213	16,718,113	10%
Deferred tax liabilities - net	**163,980,586**	70,533,741	93,446,845	132%
Other non-current liabilities	**323,811,512**	238,359,359	85,452,153	36%
Total Non-current Liabilities	**28,237,850,282**	26,869,139,803	1,368,710,479	5%
Total Liabilities	**39,228,060,644**	36,282,371,536	2,945,689,108	8%
EQUITY				
Equity attributable to shareholders of the Parent Company:				
Common stock	**2,399,426,127**	2,399,426,127	-	0%
Preferred stock	**40,000,000**	40,000,000	-	0%
Treasury shares	**(2,627,738,885)**	(2,627,738,885)	-	0%
Additional paid-in capital	**8,776,358,765**	8,776,358,765	-	0%
Revaluation reserves	**(22,981,164)**	(3,949,890)	(19,031,274)	482%
Other reserves	**(22,474,837)**	(22,474,837)	-	0%
Retained earnings	**7,289,041,269**	6,501,996,949	787,044,320	12%
Total equity attributable to shareholders of the Parent Company	**15,831,631,275**	15,063,618,229	P 768,013,046	5%
Non-controlling interests	**3,406,978,727**	3,071,826,040	P 335,152,687	11%
Total Equity	**19,238,610,002**	18,135,444,269	P 1,103,165,733	6%
TOTAL LIABILITIES AND EQUITY	**P 58,466,670,646**	P 54,417,815,805	P 4,048,854,841	7%

See Notes to Interim Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND DECEMBER 31, 2017
(Amounts in Philippine Pesos)

	Notes		**June 30, 2018 (Unaudited)**		December 31, 2017 (Audited)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	**P**	**4,454,957,590**	P	4,930,939,177
Trade and other receivables - net	5		**8,736,570,262**		6,527,752,500
Financial assets at fair value through profit or loss	6		**2,057,581,712**		3,209,481,581
Construction materials			**519,463,683**		577,294,069
Contract assets			**2,115,078,648**		2,095,587,099
Other current assets			**1,628,278,912**		1,358,089,942
Total Current Assets			**19,511,930,807**		18,699,144,368
NON-CURRENT ASSETS					
Available-for-sale financial assets	7		**914,286,357**		933,317,631
Investments in associates and joint venture	8		**1,852,821,318**		1,104,218,566
Concession assets	10		**27,864,120,423**		25,608,295,463
Property, plant and equipment - net			**5,122,653,784**		5,218,064,265
Investment properties			**135,610,000**		135,610,000
Other non-current assets	9		**3,065,247,957**		2,719,165,512
Total Non-current Assets			**38,954,739,839**		35,718,671,437
TOTAL ASSETS		**P**	**58,466,670,646**	P	54,417,815,805

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	**P 2,509,690,923**	P 2,561,487,851
Trade and other payables	11	**5,677,086,527**	5,245,248,904
Advances from customers	13	**1,589,158,144**	527,071,092
Contract liabilities		**1,066,312,976**	939,417,541
Other current liabilities	14	**147,961,792**	140,006,345
Total Current Liabilities		**10,990,210,362**	9,413,231,733
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	**27,560,073,858**	26,386,980,490
Post-employment defined benefit obligation		**189,984,326**	173,266,213
Deferred tax liabilities - net		**163,980,586**	70,533,741
Other non-current liabilities	14	**323,811,512**	238,359,359
Total Non-current Liabilities		**28,237,850,282**	26,869,139,803
Total Liabilities		**39,228,060,644**	36,282,371,536
EQUITY	17		
Equity attributable to shareholders of the Parent Company:			
Common stock		**2,399,426,127**	2,399,426,127
Preferred stock		**40,000,000**	40,000,000
Treasury shares		**(2,627,738,885)**	(2,627,738,885)
Additional paid-in capital		**8,776,358,765**	8,776,358,765
Revaluation reserves		**(22,981,164)**	(3,949,890)
Other reserves		**(22,474,837)**	(22,474,837)
Retained earnings		**7,289,041,269**	6,501,996,949
Total equity attributable to shareholders of the Parent Company		**15,831,631,275**	15,063,618,229
Non-controlling interests		**3,406,978,727**	3,071,826,040
Total Equity		**19,238,610,002**	18,135,444,269
TOTAL LIABILITIES AND EQUITY		**P 58,466,670,646**	P 54,417,815,805

See Notes to Interim Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)
(Amounts in Philippine Pesos)

	For the quarter April to June				As of June 30			
	2018	2017	Variance	%	**2018**	2017	Variance	%
REVENUES								
Contract revenues	**P 3,626,238,654**	P 4,106,977,247	(P 480,738,593)	-12%	**P 7,362,962,020**	P 8,296,198,878	(P 933,236,858)	-11%
Airport operations revenues	**676,069,142**	585,913,475	90,155,667	15%	**1,322,146,700**	1,155,655,778	166,490,922	14%
Airport merchandising revenues	**206,420,631**	42,348,622	164,072,009	387%	**273,162,895**	51,200,908	221,961,987	434%
	4,508,728,427	**4,735,239,344**	(226,510,917)	-5%	**8,958,271,615**	9,503,055,564	(544,783,949)	-6%
DIRECT COSTS								
Construction	**3,031,954,961**	3,411,225,808	(P 379,270,847)	-11%	**6,203,282,696**	6,963,761,510	(760,478,814)	-11%
Airport Operation	**95,578,415**	106,677,360	(11,098,945)	-10%	**185,154,603**	206,451,569	(21,296,966)	-10%
Airport merchandising cost	**54,930,893**	9,395,625	45,535,268	485%	**71,764,286**	11,196,450	60,567,836	541%
	3,182,464,269	3,527,298,793	(344,834,524)	-10%	**6,460,201,585**	7,181,409,529	(721,207,944)	-10%
GROSS PROFIT	**1,326,264,158**	1,207,940,551	118,323,607	10%	**2,498,070,030**	2,321,646,035	176,423,995	8%
OTHER OPERATING EXPENSES	**300,541,045**	334,213,077	(33,672,032)	-10%	**582,958,452**	600,664,955	(17,706,503)	-3%
OPERATING PROFIT	**1,025,723,113**	873,727,474	151,995,639	17%	**1,915,111,578**	1,720,981,080	194,130,498	11%
OTHER INCOME (CHARGES)								
Finance costs	**(506,997,825)**	(169,241,201)	(337,756,624)	200%	**(667,189,543)**	(430,035,124)	(237,154,419)	55%
Finance income	**32,675,075**	43,441,799	(10,766,724)	-25%	**71,996,012**	87,013,639	(15,017,627)	-17%
Others - net	**226,357,147**	(8,261,252)	234,618,399	-2840%	**244,255,326**	46,265,171	197,990,155	428%
	(247,965,603)	(134,060,654)	(113,904,949)	85%	**(350,938,205)**	(296,756,314)	(54,181,891)	18%
PROFIT BEFORE TAX	**777,757,510**	739,666,820	38,090,690	5%	**1,564,173,373**	1,424,224,766	139,948,607	10%
TAX EXPENSE	**150,834,759**	137,134,157	13,700,602	10%	**301,476,366**	272,678,996	28,797,370	11%
NET PROFIT	**626,922,751**	602,532,663	24,390,088	4%	**1,262,697,007**	1,151,545,770	111,151,237	10%
Net Profit Attributable To:								
Shareholders of the Parent Company	**P 452,254,088**	P 487,024,428	(P 34,770,340)	-7%	**P 927,544,320**	P 927,004,648	P 539,672	0%
Non-controlling interests	**174,668,663**	115,508,235	59,160,428	51%	**335,152,687**	224,541,122	110,611,565	49%
	P 626,922,751	P 602,532,663	P 24,390,088	4%	**P 1,262,697,007**	P 1,151,545,770	P 111,151,237	10%
Earnings Per Share	**P 0.18**	P 0.19	(P 0.01)	-5%	**P 0.37**	P 0.37	P 0.00	0%

See Notes to Interim Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)
(Amounts in Philippine Pesos)

	Notes	June 30 2018	June 30 2017
REVENUES	15		
Contract revenues		P 7,362,962,020	P 8,296,198,878
Airport operations revenues		1,322,146,700	1,155,655,778
Trading operations revenues		273,162,895	51,200,908
		8,958,271,615	9,503,055,564
DIRECT COSTS	16		
Contract costs		6,203,282,696	6,963,761,510
Costs of airport operations		185,154,603	206,451,569
Costs of trading operations		71,764,286	11,196,450
		6,460,201,585	7,181,409,529
GROSS PROFIT		2,498,070,030	2,321,646,035
OTHER OPERATING EXPENSES		582,958,452	600,664,955
OPERATING PROFIT		1,915,111,578	1,720,981,080
OTHER INCOME (CHARGES)			
Finance costs		(667,189,543)	(430,035,124)
Finance income		71,996,012	87,013,639
Others - net		244,255,326	46,265,171
		(350,938,205)	(296,756,314)
PROFIT BEFORE TAX		1,564,173,373	1,424,224,766
TAX EXPENSE		301,476,366	272,678,996
NET PROFIT		P 1,262,697,007	P 1,151,545,770
Net Profit Attributable To:	1		
Shareholders of the Parent Company		P 927,544,320	P 927,004,648
Non-controlling interests		335,152,687	224,541,122
		P 1,262,697,007	P 1,151,545,770
Earnings per Share		P 0.37	P 0.37

See Notes to Interim Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)
(Amounts in Philippine Pesos)

	Note		June 30, 2018		June 30, 2017
NET PROFIT		**P**	**1,262,697,007**	P	1,151,545,770
OTHER COMPREHENSIVE INCOME					
Item reclassified subsequently to profit or loss					
Realized loss on fair value change of available-for-sale financial assets			-		70,963,642
Unrealized loss on fair value change of available-for-sale financial assets	7		**(19,031,274)**		-
			(19,031,274)		70,963,642
Item that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment defined benefit plan			**(21,711,134)**		(22,452,017)
Tax income (expense)			**6,513,340**		6,735,605
			(15,197,794)		(15,716,412)
TOTAL COMPREHENSIVE INCOME		**P**	**1,228,467,939**	P	1,206,793,000
Total Comprehensive Income Attributable To:					
Shareholders of the Parent Company		**P**	**892,460,876**	P	983,029,572
Non-controlling interests			**336,007,063**		223,763,428
		P	**1,228,467,939**	P	1,206,793,000

See Notes to Interim Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)
(Amounts in Philippine Pesos)

	Attributable to Shareholders of the Parent Company									
	Common Stock	**Preferred Stock**	**Treasury Shares**	**Additional Paid-in Capital**	**Revaluation Reserves**	**Other Reserves**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total**
Balance at January 1, 2018	P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	(P 3,949,890)	(P 22,474,837)	P 6,501,996,949	P 15,063,618,229	P 3,071,826,040	P 18,135,444,269
Cash dividends	-	-	-	-	-	-	(140,500,000)	(140,500,000)	-	(140,500,000)
Total comprehensive income for the year	-	-	-	-	(19,031,274)	-	927,544,320	908,513,046	335,152,687	1,243,665,733
Balance at June 30, 2018	**P 2,399,426,127**	**P 40,000,000**	**(P 2,627,738,885)**	**P 8,776,358,765**	**(P 22,981,164)**	**(P 22,474,837)**	**P 7,289,041,269**	**P 15,831,631,275**	**P 3,406,978,727**	**P 19,238,610,002**
Balance at January 1, 2017	P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	(P 67,124,521)	(P 22,474,837)	P 5,108,733,613	P 13,607,180,262	P 2,602,354,866	P 16,209,535,128
Issuance during the year	-	-	-	-	-	-	-	-	(2,961)	(2,961)
Cash dividends	-	-	-	-	-	-	(140,500,000)	(140,500,000)	-	(140,500,000)
Total comprehensive income for the year	-	-	-	-	70,963,642	-	927,004,650	997,968,292	224,541,120	1,222,509,412
Balance at June 30, 2017	P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	P 3,839,121	(P 22,474,837)	P 5,895,238,263	P 14,464,648,554	P 2,826,893,025	P 17,291,541,579

See Notes to Interim Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)
(Amounts in Philippine Pesos)

		June 30 2018		June 30 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	1,564,173,373	P	1,424,224,766
Adjustments for:				
Depreciation and amortization		365,812,826		356,270,713
Finance costs		667,189,544		303,751,807
Finance income	(	71,996,012)	(	87,013,639)
Loss on fair value change of AFS financial assets		-		70,963,642
Gain on disposals of property, plant and equipment	(	72,098)	(	2,575,766)
Equity in net losses (gains) of associates and joint venture	(	3,606,389)	(	24,218,477)
Operating profit before working capital changes		2,521,501,244		2,041,403,046
Increase in trade and other receivables	(	2,206,928,262)	(	682,097,275)
Decrease (increase) in construction materials		57,830,386	(	114,250,189)
Decrease (increase) in contract assets	(	19,491,549)		544,058,407
Decrease (increase) in other current assets	(	448,964,492)		1,700,329
Increase (decrease) in trade and other payables		355,042,384	(	364,638,286)
Increase (decrease) in advances from customers		1,062,087,052	(	722,831,394)
Increase in contract liabilities		126,895,435		770,292,845
Increase in other liabilities		93,407,598		93,982,697
Increase in post-employment defined benefit obligation		16,718,113		6,366,035
Cash generated from operations		1,558,097,909		1,573,986,215
Cash paid for income taxes	(	29,253,996)	(	259,396,601)
Net Cash From Operating Activities		1,528,843,913		1,314,589,614
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for concession assets	(	2,312,056,966)	(	2,648,395,380)
Proceeds from disposal of available-for-sale financial assets		-		929,036,358
Acquisition of available-for-sale financial asset		-	(	921,510,000)
Acquisitions of property, plant and equipment, and computer software license	(	211,287,440)	(	425,720,120)
Increase in other non-current assets	(	348,893,246)	(	441,365,668)
Acqusition of investment in joint venture and additional investments in associates	(	744,996,363)	(	204,000,000)
Interest received		70,106,512		75,668,754
Proceeds from sale of property, plant and equipment		-		6,008,271
Proceeds from sale of financial assets at fair value through profit or loss		1,151,899,869		368,942,992
Net Cash Used in Investing Activities	(	2,395,227,634)	(	3,261,334,793)
Balance carried forward	(P	866,383,721)	(P	1,946,745,179)

	June 30 2018	June 30 2017
Balance brought forward	(P 866,383,721)	(P 1,946,745,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing loans and borrowings	2,222,093,368	3,401,795,178
Repayment of interest-bearing loans and borrowings	(1,100,796,929)	(1,795,314,323)
Interest paid	(590,394,305)	(243,652,323)
Dividends paid	(140,500,000)	(140,500,000)
Proceeds from investment of non-controlling interest	-	(2,960)
Net Cash From Financing Activities	390,402,134	1,222,325,572
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(475,981,587)	(724,419,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,930,939,177	6,265,285,131
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 4,454,957,590	P 5,540,865,524

See Notes to Interim Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND DECEMBER 31 AND JUNE 30, 2017
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the "Parent Company") was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs general construction works which involve site development, earthworks, structural and civil works, masonry works, and architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

On September 22, 2014, the Philippine Securities Exchange Commission (SEC) approved the Parent Company's amendment of articles of incorporation, which includes (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates, and (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares. Both common and preferred shares will have a par value of P1.0 per share.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the SEC approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE.

The Parent Company remains as a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore.

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore, which is also its principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City while the registered office of the Parent Company is located at 2nd Floor Spring Building, Arnaiz Avenue Corner P. Burgos St., Pasay City. The Parent Company also maintains an office in its own building at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the "Group"), which are all incorporated in the Philippines:

Subsidiaries:
GMR Megawide Cebu Airport Corporation (GMCAC)
Megawatt Clean Energy, Inc. (MCEI)
Globemerchants, Inc. (Globemerchants)
Megawide Land, Inc. (MLI)
Megawide Construction (BVI) Corporation (MCBVI)
Accounted for as Asset Acquisition –
Altria East Land, Inc. (Altria)

Associates:
Megawide World Citi Consortium, Inc. (MWCCI)
Citicore Megawide Consortium, Inc. (CMCI)

Joint Arrangements:
Joint Operation –
Megawide GISPL Construction Joint Venture (MGCJV)
Megawide GMR Construction JV, Inc. (MGCJVI)

Joint Venture –
MWM Terminals, Inc. (MWMTI)

The Parent Company owns 60% ownership interest in GMCAC. GMCAC was incorporated in the Philippines and registered in the Philippine SEC on January 13, 2014. GMCAC's primary purpose is to engage in the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014. GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 13) that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors). GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

On September 4, 2014, the Parent Company acquired 70% of the issued and outstanding capital stock of MCEI. MCEI was incorporated to engage in the development of clean or renewable energy sources for power generation, including the design, construction and installation, purchase, importation, commissioning, owning, management and operation of relevant machinery, facilities and infrastructure therefor, and the processing and commercialization of by-products in its operations. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

On October 28, 2016, the Parent Company acquired a 100% ownership interest in MLI, an entity incorporated in the Philippines. MLI is incorporated primarily to engage in real estate and related business MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

On May 5, 2016, the Parent Company acquired a 60% ownership interest in Globemerchants, a company incorporated in the Philippines, primarily engaged in exporting, buying, selling, distributing, marketing at a wholesale in so far as may be permitted by law all kinds of goods, wares and merchandise of every kind and description. Globemerchants registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. Globermarchants has started commercial operations on March 8, 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of Globemerchants to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). As of June 30, 2018, Globemerchants is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in Globemerchants after the sale transaction because major decisions involving entering and negotiating Supply and Delivery Agreements (SDA) with Duty Free Philippines Corporation (DFPC) still rests with the Parent Company. In line with this, the Parent Company retains control over Globemerchants' operations.

The transfer of shares by Altria to the Parent Company is accounted for as an asset acquisition since it does not constitute an acquisition of business.

The Group's investments in MWCCI and CMCI are accounted for as investments in associates since the ownership of the Parent Company does not result to control over the entities' relevant activities.

MGCJV is an unincorporated joint venture formed on September 16, 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide all proper and suitable personnel and labor including supervision, materials, offices, workshops, tools, machinery, equipment and all other resources required for the construction of works for the renovation and expansion of the MCIA Project.

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and WM Property Management, Inc. (Waltermart), both exercising joint control to direct the relevant activities of MWMTI. The joint venture shall undertake the development and implementation of the Southwest Integrated Transport System Project (ITS Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTr.

MGCJVI is a joint venture arrangement formed on January 31, 2018 by the Parent Company owning 50% interest and GMR Infrastructure (Singapore) PTE Limited with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GMR both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Aiport project.

The Group's interests in MGCJV, MWMTI and MGCJVI are accounted for as joint arrangements as the Parent Company exercises joint control over the arrangements' relevant activities.

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. MLI has 60% direct ownership interest in Megawide Cold Logistics, Inc. (MCLI), a newly incorporated domestic entity in 2016 that was established to engage in logistics operations. As of June 30, 2018, MCLI has not yet started commercial operations.

On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended December 31, 2017.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

These interim consolidated financial information have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the period ended December 31, 2017.

The preparation of interim consolidated financial information in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that effect 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.

(b) Presentation of Consolidated Financial Statements

The interim consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group opted to present a separate interim consolidated statement of income and interim consolidated statement of comprehensive income.

(c) Functional and Presentation Currency

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

Items included in the interim consolidated financial statements are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to existing standards in accordance with their transitional provisions, which are mandatorily effective for its interim reporting period beginning January 1, 2018.

Discussed below and in the succeeding pages are the relevant information about these new PFRS, amendments and improvements.

(i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property* (effective from January 1, 2018). The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments provided a non-exhaustive list of examples constituting change in use.

Based on the Group's assessment, this standard has no significant impact on its interim consolidated financial information.

(ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and liabilities as at June 30, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects all the Group's financial assets currently classified as loans and receivables to continue to be classified and accounted for at amortized cost. However, a number of available-for-sale (AFS) financial assets and other financial assets are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.

- The ECL model will apply to the Group's trade receivables and AFS financial assets. For other financial assets and trade receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The Group's equity securities currently classified as AFS financial asset, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

(iii) PRFS 15, *Revenue from Contracts with Customers* (effective January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on the requirements of PFRS 15, the Group has assessed that its performance obligation on rendering of construction services is satisfied over time considering that, under existing laws and regulations, the Group does not have an alternative use on the assets being constructed and that it has rights to payment over the accomplishment to date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

Based on its initial assessment, the requirements of PFRS 15 on the following have significant impact on the Group's consolidated financial position, performance and disclosures:

- Identifying the contract
- Identifying the performance obligations
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations
- Recognizing revenue when/as performance obligations are satisfied.

(iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Based on the Group's initial assessment, this standard has no significant impact on the Group's interim consolidated financial statements because majority of the receipts or payments of advance consideration is in Philippine pesos.

(v) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, only PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018) is relevant to the Group. The amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

Management has initially assessed that this amendment has no material impact on the Group's interim consolidated financial statements.

(b) *Effective Subsequent to 2018 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2018. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions and, unless otherwise stated, none of these are expected to have significant impact on the interim consolidated financial information:

(i) 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 of 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.

(ii) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this amendment on the Group's consolidated financial statements.

PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

(i) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases.*

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its interim consolidated financial statements.

(ii) IFRIC 23, Uncertainty over Income Tax Treatments (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the tax authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements.

(iii) Annual Improvements to PFRS (2015-2017 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

PFRS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

PFRS 3 (Amendments), *Business Combinations and PFRS 11 (Amendments), Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

3. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

3.1 Business Segments

(a) *Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, and architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

(b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility.

(c) *Airport Merchandising Operations* – relates to sale of food and nonfood items within the premises of Mactan Cebu Airport.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

3.2 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, receivables, inventories and property, plant and equipment, 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. Segment assets and liabilities do not include deferred taxes.

3.3 *Analysis of Segment Information*

Presented below are the relevant operating segment information about the results of operations and financial position of the Group's business segments as of and for the periods ended June 30, 2018, December 31, 2017 and June 30, 2017 (amounts in thousands).

	Construction		Airport Operations		Airport Merchandising		Total	
	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	**June 30, 2018 (Unaudited)**	June 30, 2017 (Unaudited)	**June 30, 2018 (Unaudited)**	June 30, 2017 (Unaudited)	**June 30, 2018 (Unaudited)**	June 30, 2017 (Unaudited)
Results of operations								
Revenues	**P 7,362,962**	P 8,296,199	**P 1,322,147**	P 1,155,656	**P 273,163**	P 51,201	**P 8,958,272**	P 9,503,056
Cost and other operating expenses:								
Cost of construction and airport operations excluding depreciation and amortization	**5,931,549**	6,712,233	**128,922**	130,771	**71,764**	11,196	**6,132,235**	6,854,200
Depreciation and amortization	**287,789**	269,912	**73,353**	85,222	**4,671**	1,136	**365,813**	356,270
Finance cost and other Charges – net	**186,693**	127,473	**169,663**	163,381	**(5,418)**	5,902	**350,938**	296,756
Tax expense	**265,828**	257,165	**7,892**	9,794	**27,756**	5,720	**301,476**	272,679
Other expenses	**265,709**	339,231	**203,160**	215,570	**95,292**	16,804	**564,161**	571,605
	6,937,568	7,706,014	**582,990**	604,738	**194,065**	40,758	**7,714,623**	8,351,510
Segment Net Profit	**P 425,394**	P 590,185	**P 739,157**	P 550,918	**P 79,098**	P 10,443	**P 1,243,649**	P 1,151,546

	Construction		Airport Operations		Airport Merchandising		Total	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Consolidated Statements of Financial Position								
Total Segment Assets	**P 29,490,713**	P 29,416,450	**P 33,072,828**	P 29,125,691	**P 169,576**	P 73,870	**P 62,733,117**	P 58,616,011
Total Segment Liabilities	**P 15,199,969**	P 15,798,200	**P 24,468,681**	P 22,094,046	**P 71,244**	P 44,251	**P 39,739,894**	P 37,936,497

3.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements (amounts in thousands).

Profit or loss

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Segment net profit	**P 1,243,649**	P 1,151,546
Other unallocated income (expense) - net	**19,048**	-
Net profit as reported in the consolidated statements of income	**P 1,262,697**	P 1,151,546

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets		
Total segment assets	**P 62,733,117**	P 58,784,474
Elimination of intercompany accounts	**(4,656,287)**	(4,716,684)
Other unallocated assets	**389,841**	380,132
Total assets as reported in the consolidated statements of financial position	**P 58,466,671**	P 54,417,816
Liabilities		
Total segment liabilities	**P 39,739,894**	P 37,224,747
Elimination of intercompany accounts	**(702,232)**	(1,075,270)
Other unallocated liabilities	**190,399**	132,895
Total liabilities as reported in the consolidated statements of financial position	**P 39,228,061**	P 36,282,372

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

There are four and three customers in periods ended June 30, 2018 and June 30, 2017, respectively, wherein the revenues earned from each customer exceeded 10% of total revenues as presented in the interim consolidated statements of comprehensive income. The revenues earned from these customers accounted for 56% and 59% of total revenues in June 30, 2018 and June 30, 2017, respectively.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand	**P 10,049,919**	P 8,775,423
Cash in banks	**4,444,907,671**	4,863,563,690
Short-term placements	**-**	58,600,064
	P4,454,957,590	P4,930,939,177

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 2.0% to 3.9% in 2018 and 1.4% to 2.4% in 2017.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Contract receivables:			
Third parties		**P2,789,384,658**	P2,230,023,178
Related parties	19.1	**1,599,324,284**	383,959,298
	15.1	**4,388,708,942**	2,613,982,476
Retention receivables:			
Third parties		**2,526,396,494**	2,438,299,144
Related parties	19.1	**996,721,638**	816,603,413
	15.1	**3,523,118,132**	3,254,902,557
Advances to:			
Related parties	19.4	**292,241,948**	293,154,166
Officers and employees	19.3	**23,521,177**	21,895,765
		315,763,125	315,049,931
Receivables from airport operations		**405,031,040**	333,242,965
Receivable from sale of goods		**114,082,573**	-
Other receivables	19.2	**100,872,166**	121,267,788
Allowance for impairment		**(111,005,716)**	(110,693,217)
		P8,736,570,262	P6,527,752,500

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized under the Concession Agreement (see Note 15.2).

Receivables from trading operations pertain to the Group's unpaid receivables from customers for the sale of food and non-food items.

Trade and other receivables do not bear any interest. All receivables are subject to credit risk exposure (see Note 23.2).

All of the Group's trade and other receivables have been reviewed for indications of impairment.

Total allowance for impairment for long outstanding contract, retention and airport receivables provided by the Parent Company and GMCAC amounted to P111.0 million and P110.7 million of June 30, 2018 and December 31, 2017, respectively.

A reconciliation of the allowance for impairment at the beginning and end of June 30, 2018 and December 31, 2017 is shown below.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	**P 110,693,217**	P 14,041,150
Impairment losses	**312,499**	96,652,067
Balance at end of period	**P 111,005,716**	P 110,693,217

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Short-term commercial papers	**P2,055,635,568**	P3,207,553,457
Unit investment trust funds (UITF)	**1,946,144**	1,928,124
	P 2,057,581,712	P3,209,481,581

Short-term commercial papers are unsecured, short-term debt instruments issued by a private corporation with high-quality debt ratings with interest rate of 2.0% to 3.9%. These investments are designated by the Group to be carried at fair value through profit or loss upon initial recognition.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets pertain to the Group's investments in medium to long term RTB in 2017, certain equity investment acquired in 2015 wherein the Parent Company does not exercise control or significant influence (see Note 1.2) and golf club shares. The details of AFS financial assets are shown below.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Investments in RTB	**P 910,741,885**	P 929,773,159
Investment in SSPI – at cost	**2,500,000**	2,500,000
Gold club shares	**1,044,472**	1,044,472
	P 914,286,357	P 933,317,631

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at the beginning of year	**P 933,317,631**	P 932,580,830
Additions of RTB	**-**	921,510,000
Disposal of RTB	**-**	(929,036,358)
Unrealized gain (loss) due to fair value change of RTB	**(19,031,274)**	8,263,159
Balance at end of year	**P 914,286,357**	P 933,317,631

In 2017, RTB with an original face value of P921.51 million was purchased and held indefinitely. These may be sold in response to liquidity requirements, changes in market conditions or depending on the management discretion. The Group recognized unrealized loss amounting to P19.0 million in 2018 and gain of P8.3 million in 2017 due to fair value changes of AFS financial assets, which is presented as Unrealized Gain (Loss) on Fair Value Changes of AFS Financial Assets in the 2018 and 2017 consolidated statements of comprehensive income.

The Group has equity interest of 1% over its investment in SSPI and has accounted for its investment in SSPI at cost. SSPI was incorporated in the Philippines on August 7, 2015 and established for the development, construction, installation and other related services through contractors, subcontractors, or otherwise, of solar power and other clean or renewable energy infrastructure. SSPI started commercial operations in 2016. Its registered office, which is also its principal place of business, is located at 20 N. Domingo Street, Barangay Valencia, Quezon City.

Moreover, management has assessed that the carrying value of these investments is recoverable and that there is no indication or permanent decline in fair value; hence, no impairment loss is required in 2018 and 2017.

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE, AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Venture account are shown below:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Investments in:			
Associates	8.1	**P 816,027,584**	P 799,974,741
Joint venture	8.2	**1,036,793,734**	304,243,825
		P1,852,821,318	P1,104,218,566

The Parent Company has also investment in SSPI which are accounted for as AFS financial asset as the Parent Company neither exercises control or significant influence over SSPI (see Note 7).

8.1 Investments in Associates

The components of the carrying values of this account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Acquisition cost:		
MWCCI	**P 580,890,000**	P 580,890,000
CMCI	**200,000,000**	200,000,000
	780,890,000	780,890,000
Equity advances in MWCCI	**23,572,864**	23,572,864
Equity share in net profit (losses):		
Balance at beginning of period	**(4,488,123)**	(10,023,441)
Equity in net profit (losses) for the year	**16,052,843**	5,535,318
Balance at end of period	**11,564,720**	(4,488,123)
	P 816,027,584	P 799,974,741

8.2 Interest in Joint Venture

The carrying values of the interest in joint venture in MWMTI as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Acquisition cost	**P 304,243,825**	P 102,172,754
Additions	**733,448,126**	204,000,000
Equity share in net losses	**(898,217)**	(1,928,929)
Balance at end of the period	**P1,036,793,734**	P 304,243,825

8.3 Interest in Joint Operation

The Parent Company's interest in MGCJV is accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV. The relevant financial information of the Group's interest in MGCJV which are included in the appropriate accounts in the Group's consolidated statements of financial position and consolidated statements of income is as follows:

June 30, 2018

	Before Elimination	Elimination	After Elimination
Assets:			
Cash and cash equivalents	P 386,245,370	P -	P 386,245,370
Trade and other receivables	627,787,071	(627,787,071)	-
Other current assets	44,384,614	-	44,384,614
Property, plant, and equipment – net	1,763,230	-	1,763,230
	P 1,060,180,285	(P 627,787,071)	P 432,393,214
Liabilities:			
Trade and other payables	P 286,864,212	P -	P 286,864,212
Due to related parties	5,079,937	-	5,079,937
Contract liabilities	523,497,668	-	523,497,668
Other liabilities	9,499,087	-	9,499,087
	P 824,940,904	P -	P 824,940,904

December 31, 2017

	Before Elimination	Elimination	After Elimination
Assets:			
Cash and cash equivalents	P 374,239,411	P -	P 374,239,411
Trade and other receivables	693,067,305	(693,067,305)	-
Other current assets	40,680,165	-	40,680,165
Property, plant, and equipment – net	2,315,853	-	2,315,853
	P 1,110,302,734	(P 693,067,305)	P 417,235,429

Liabilities:			
Trade and other payables	P 154,751,254	P -	P 154,751,254
Due to related parties	7,145,237	-	7,145,237
Contract liabilities	679,243,974	-	679,243,974
Other liabilities	17,573,194	-	17,573,194
	P 858,713,659	P -	P 858,713,659
June 30, 2018			
Revenues and Expenses:			
Contract revenues	P 867,475,000	(P 867,475,000)	P -
Contract costs	(750,424,301)	750,424,301	-
Other operating expenses	(44,187,710)	44,187,710	-
Finance income	48,388,934	-	48,388,934
	P 121,251,923	(P 72,862,989)	P 48,388,934
June 30, 2017			
Revenues and Expenses:			
Contract revenues	P 617,833,269	(P 617,833,269)	P -
Contract costs	(513,165,882)	513,165,882	-
Other operating expenses	(39,067,557)	-	(39,067,557)
Finance income	21,863,393	-	21,863,393
	P 87,463,223	(P 104,667,387)	(P 17,204,164)

9. OTHER ASSETS

This account is composed of the following:

	Note	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Current:			
Advances to contractors and suppliers	9.1	**P 1,018,081,680**	P 702,853,344
Input VAT	9.2	**399,352,913**	470,309,253
Refundable security and bond deposits		**97,644,044**	87,431,724
Prepaid subscription		**30,813,592**	12,843,833
Prepaid rent		**16,792,104**	8,781,953
Prepaid taxes	9.4	**13,077,300**	55,320,252
Prepaid insurance		**7,094,490**	7,932,589
Development costs		**1,840,006**	1,840,006
Miscellaneous		**43,582,783**	10,776,988
		P 1,628,278,912	P 1,358,089,942
Non-current:			
Input VAT	9.2	**P 2,153,690,723**	P 2,084,181,395
Investment in trust fund	9.5	**603,185,500**	413,649,488
Refundable security deposits		**79,484,020**	10,888,652
Deposits for condominium units	9.3	**68,802,067**	68,802,067
Derivative asset	9.8	**65,975,264**	-
Deferred transaction cost	9.7	**25,601,082**	47,478,365
Computer software license – net	9.6	**41,101,984**	43,912,786
Advances to contractors and suppliers	9.1	**-**	15,231,370
Advances to land owners		**-**	30,731,055
Miscellaneous	9.8	**27,407,317**	4,290,334
		P 3,065,247,957	P 2,719,165,512

9.1 Advances to Contractors and Suppliers

Advances to contractors and suppliers pertain to downpayments made by the Group for the construction of airport terminal facilities and purchase of property and equipment based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the contractors and supplier.

9.2 Input VAT/Deferred Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

9.3 Deposits for Condominium Units

Deposits for condominium units represent initial downpayments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

9.4 Prepaid Taxes

Prepaid taxes pertain to creditable withholding taxes.

9.5 Investment in Trust Fund

On November 28, 2014, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

9.6 Computer Software License – net

The details of this account are presented below.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost	P 103,871,237	P 101,211,532
Accumulated amortization	(62,769,253)	(56,298,746)
	P 41,101,984	P 42,912,786

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of income.

9.7 Deferred Transaction Cost

Deferred transaction cost represents legal and documentary stamp taxes paid and attributable to the amount of undrawn borrowing facility scheduled for drawdown in the subsequent reporting periods. Upon drawdown, the deferred transaction cost will be accounted for as debt issuance cost which is treated as a discount on the related debt and amortized using the EIR method over the term of the related debt.

9.8 Derivative Asset

Derivative asset pertains to derivative gain on the interest rate swap of GMCAC due to favorable movement of interest rates in 1st half of 2018.

10. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, "An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes", as Amended by R.A. No. 7718 (referred to as the *"BOT Law"*). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets) (see Note 1.2).

The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

Upfront fees include P14,404.6 million bid premium paid by GMCAC to the Philippine Government for the MCIA Project.

11. TRADE AND OTHER PAYABLES

This account consists of the following:

	Note	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Trade payables		**P 2,894,477,678**	P 2,846,737,76
Retention payable		**1,757,572,868**	1,571,317,746
Accrued expenses		**572,856,364**	305,255,812
Security deposits		**296,099,795**	201,336,838
Interest payable		**76,795,239**	81,657,313
Accrued salaries		**35,256,143**	26,705,794
Income tax payable		**7,148,505**	-
Due to stockholders and related parties	19.4	**400,422**	174,410,481
Others		**36,479,513**	37,827,151
		P 5,677,086,527	P 5,245,248,904

12. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current:		
Bank loans	**P 2,462,212,813**	P 2,485,500,000
Obligations under finance lease	**47,478,110**	75,987,851
	2,509,690,923	2,561,487,851
Non-current:		
Bank loans	**22,076,266,976**	20,420,365,437
Notes payable	**5,353,983,060**	5,836,791,231
Obligations under finance lease	**129,823,822**	129,823,822
	27,560,073,858	26,386,980,490
	P 30,069,764,781	P 28,948,468,341

12.1 Notes Payable

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	Principal	Term in Years	Interest Rate
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	P 4,000,000,000		

On February 23, 2018, the Parent Company has repaid the Tranche A of this notes payable.

In 2011, the Parent Company was granted another unsecured Notes payable facility up to P3,000.0 million by a local bank, to which P1,000.0 million was availed. The loan bears an annual interest of 6.5% payable in 5 years. This loan was paid in full through refinancing of an unsecured 10-year corporate note in December 2016.

On September 16, 2016 and December 5, 2016, the Parent Company availed an unsecured 10-year corporate note amounting to P650.0 million and P350.0 million, respectively, to refinance the 5-year corporate note issued in 2011. On December 16, 2016 the Parent

Company availed another P1,000.0 million unsecured 10-year corporate note to finance its capital expenditures and general corporate requirements.

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

12.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US $75.0 million (or equivalent to P3,500.0 million) into the facility. The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

	First 7 Years	Last 8 Years
P20,000.0 million onshore loan	Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread	Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread
US$75.0 million offshore loan	LIBOR plus credit spread	LIBOR plus credit spread

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, certain assets are pledge as collateral on this loan.

(b) Omnibus Loan and Security Agreement – March 22, 2018

On March 22, 2018, MGCJV, Inc. entered into a P7.50 billion Omnibus Loan and Security Agreement (OLSA) with Metropolitan Bank & Trust Company (MBTC) and Philippine National Bank (PNB) as Lenders. The proceeds from the loan shall be used to finance the construction of Clark International Airport. Interest is the sum of the 3-month PDST-R2 rate plus a certain spread payable every three (3) months. Repayment of the principal is as follows:

Principal repayment schedule	**Milestone payments from BCDA (in billions)**	**Principal repayment of the Loan amount**
First	P5.58	At least 85% of the principal milestone payment
Second	1.66	100% of the second milestone payment
Third	2.12	Remaining balance of the Loan

The full repayment of the Loan shall be made not later than the maturity date which is May 18, 2021.

The total drawdowns made and outstanding balance of the Loan as of June 30, 2018 amounted to P361 million.

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, certain assets are pledge as collateral on this loan.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P2,462.2 and P2,485.5 million as of June 30, 2018 and December 31, 2017, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 3.5% to 3.7% in 2018 and 2.5% to 2.8% in 2017.

13. ADVANCES FROM CUSTOMERS

Advances from customers for construction works relate to the following projects:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Contracts in progress:		
Third parties	**P 321,961,684**	P 295,821,076
Related parties	**8,932,311**	7,507,271
	330,893,995	303,328,347
Deposit received prior to commencement of a project – Third parties	**1,258,264,149**	223,742,745
	P 1,589,158,144	P 527,071,092

Advances from customers will be applied against the contract receivables based on work accomplishment on the project.

14. OTHER LIABILITIES

The details of this account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current:		
Deferred output VAT	**P 40,907,373**	P 41,155,461
Withholding taxes	**50,489,194**	60,713,819
Deferred revenue	**24,887,150**	7,867,130
Others	**31,678,075**	30,269,935
	P 147,961,792	P 140,006,345
Non-current:		
Retention payable	**P 312,537,897**	P 234,464,123
Security deposits	**9,649,111**	3,895,236
Deferred revenue	**1,624,504**	-
	P 323,811,512	P 238,359,359

15. REVENUES

15.1 Contract Revenues

The details of this account for the period ended June 30, 2018 and 2017 are composed of the revenues from:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Contracts in progress	**P 6,963,586,544**	P 7,685,236,729
Completed contracts	**399,375,476**	610,962,149
	P 7,362,962,020	P 8,296,198,878

15.2 Airport Operations Revenues

The details of this account for three months ended June 30 are composed of the revenues from:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Aeronautical	**P 743,251,660**	P 656,545,378
Aero related	**155,826,115**	140,729,101
Non-aero related	**423,068,925**	358,381,299
	P 1,322,146,700	P 1,155,655,778

15.3 Trading Operations Revenues

The details of this account are composed of the revenues from:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Food revenues	**P 157,062,867**	P 30,825,819
Non-food revenues	**116,100,028**	20,375,089
	P 273,162,895	P 51,200,908

16. DIRECT COSTS

16.1 Contract Costs

The following is the breakdown of contract costs for the period ended June 30:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Materials	**P 2,755,729,522**	P 3,183,833,746
Outside services	**2,315,617,400**	2,691,672,914
Project overhead	**460,199,692**	500,586,141
Salaries and employee benefits	**400,002,551**	336,139,450
Depreciation and amortization	**271,733,531**	251,529,259
	P 6,203,282,696	P 6,963,761,510

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

16.2 Costs of Airport Operations

The following is the breakdown of cost of services:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Amortization of concession asset	**P 56,232,006**	P 75,681,018
Utilities	**49,868,984**	52,168,711
Salaries and other benefits	**24,679,116**	20,559,518
Airport operator's fee	**17,497,014**	13,660,979
Airline collection charges	**13,063,284**	11,872,342
Insurance	**10,229,422**	10,418,036
Others	**13,584,777**	22,090,965
	P 185,154,603	P 206,451,569

16.3 Costs of Trading Operations

The following is the breakdown of cost of trading:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Cost of food	**P 40,739,180**	P 5,452,033
Cost of non-food	**30,610,030**	5,775,495
Total	**71,349,210**	11,227,528
Freight-in	-	306
Spoilage and pilferages	**480,037**	-
Purchase discount	**(64,961)**	(31,384)
	P 71,764,286	P 11,196,450

17. EQUITY

17.1 Dividends

On January 30, 2018 and May 3 2018, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2017. The series of record dates and payments are as follows:

	Record date	**Payment date**
1st Quarter	February 15, 2018	March 3, 2018
2nd Quarter	May 18, 2018	June 3, 2018

The dividends on the preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

17.2 Treasury shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost P2,627.7 million.

18. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Net profit attributable to shareholders of the Parent Company	**P 927,544,320**	P 927,004,648
Dividends on cumulative preferred shares	**(140,500,000)**	(140,500,000)
Income available to shareholders of the Parent Company	**787,044,320**	786,504,648
Divided by weighted average number of outstanding common shares	**2,138,577,497**	2,138,577,497
Basic and diluted EPS	**P .37**	P .37

The Group does not have dilutive potential common shares outstanding as of June 30, 2018 and 2017; hence, diluted EPS is equal to the basic EPS.

19. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint venture, parties related to the Parent Company by common ownership.

The summary of the Group's transactions with related parties as of June 30, 2018 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Term	Conditions
Ultimate Parent Company –					
Advances granted	5	(P 280,918)	P 289,889,741	On demand; Interest-bearing	Unsecured
Minority shareholders and their affiliates:					
Airport operator's fee	16.2	17,497,014	-	On demand; Noninterest-bearing	Unsecured
Associates:					
Revenue from services	5, 19.1	-	747,599,683	Normal credit terms	Unsecured
Rent income	5	26,786	200,090	Normal credit terms	Unsecured
Joint Arrangement:					
Revenue from services	5, 19.1	1,253,728,180	1,533,662,273	Normal credit terms	Unsecured
Advances granted	5	(2,964,756)	-	On demand; Noninterest-bearing	Unsecured

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Term	Conditions
Related Parties Under Common Ownership:					
Rent income	5	26,786	463,482	Normal credit terms	Unsecured
Advances from customers	13	(1,425,040)	(8,932,311)	Normal credit terms	Unsecured
Revenue from services	5, 19.1	339,603,732	314,783,966	Normal credit terms	Unsecured
Rent expense		(257,728)	-	On demand	Unsecured
Advances granted	5	2,333,457	2,352,207	On demand; Noninterest-bearing	Unsecured
Advances obtained	11	174,010,059	(400,422)	On demand; Noninterest-bearing	Unsecured
Advances to Officers and Employees	5	1,625,412	23,521,177	Upon liquidation; Noninterest-bearing	Unsecured

The summary of the Group's transactions with related parties as of December 31, 2017 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Term	Conditions
Ultimate Parent Company – Advances granted	5	(P 623,328,162)	P 290,170,659	On demand; Interest-bearing	Unsecured
Minority shareholders and their affiliates:					
Airport operator's fee	16.2	26,910,779	-	On demand; Noninterest-bearing	Unsecured
Advances obtained	11	38,117,405	(172,939,978)	On demand; Noninterest-bearing	Unsecured
Associates:					
Revenue from services	5	-	747,599,683	Normal credit terms	Unsecured
Rent income	5	53,571	171,429	Normal credit terms	Unsecured
Joint Arrangement:					
Revenue from services	5	1,303,585,007	174,362,420	Normal credit terms	Unsecured
Advances granted	5	2,964,756	2,964,756	On demand; Noninterest-bearing	Unsecured

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Term	Conditions
Related Parties Under Common Ownership:					
Rent income		53,571	434,821	Normal credit terms	Unsecured
Advances from customers		7,507,271	7,507,271	Normal credit terms	Unsecured
Revenue from services	5	724,464,404	278,600,608	Normal credit terms	Unsecured
Rent expense		(2,649,539)	-	On demand	Unsecured
Advances granted	5	(43,733)	18,750	On demand; Noninterest-bearing	Unsecured
Advances obtained	11	4,720,879	(1,470,503)	On demand; Noninterest-bearing	Unsecured
Advances to Officers and Employees	5	(3,723,622)	21,895,765	Upon liquidation; Noninterest-bearing	Unsecured

19.1 Rendering of Services

In the normal course of business, the Group provides construction services to related parties under common ownership, associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P1,593.3 million and P1,040.0 million in June 30, 2018 and June 30, 2017, respectively. These revenues are recorded as part of Contract Revenues account in the consolidated statements of income (see Note 15.1). Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 5).

There were no impairment losses recognized in June 30, 2018 and 2017 for these related party receivables.

The Group, also receives advances or deposit from related party customers. The amount of outstanding customer advances received from related parties are presented as part of Advances from Customers account in the consolidated statements of financial position (see Note 13). In 2018, the advances from customers with related parties amounting to P40.6 million was applied against the progress billing based on project working accomplishment as of June 30, 2018.

19.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In June 30, 2018 and 2017, the Group recognized rent expense amounting to P0.26 million and P1.4 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan), an entity owned by the Group's stockholders and their close family members, for the land where the Group's building is located. The Group has no outstanding payables from the rental transaction with Megapolitan as of June 30, 2018 and 2017.

The Parent Company also leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P0.1 million and P0.2 million in June 30, 2018 and 2017, respectively from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the consolidated statements of income. The outstanding balances arising from these transactions are presented as part of Other receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 5).

19.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables (see Note 5).

No impairment losses were recognized in June 30, 2018 and 2017 for these advances.

19.4 Advances to and from Related Parties

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 11).

The Group gave unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. The outstanding balance from this transaction is shown under Trade and Other Receivables account in the consolidated statements of financial position (see Note 5). Further, no impairment losses were recognized in June 30, 2018 and December 31, 2017 for these advances.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

20. 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 information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim consolidated financial information.

21. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On August 1, 2018 the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter to holders of preferred shares on record as of August 16, 2018. The dividends which is payable on September 3, 2018, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2017.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 24. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described on the succeeding paragraphs.

23.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from its US dollar-denominated cash and cash equivalents and loans payable which have been used to fund the Cebu Mactan Airport project. The principal and interest of the loans payable will be funded by the US dollar-denominated sales generated by the airport operation. Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals and some short-term working capital loans which are subject to variable interest rate. Any increase in finance costs due to changes in interest rates will be mitigated by the finance income on cash and cash equivalents and short-term placements.

(c) Other Price Risk Sensitivity

The Group's market price risk arises from its available-for-sale financial assets carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment and at some extent, diversifying the investment portfolio in accordance with the limit set by the management. As of June 30, 2018 and December 31, 2017, these financial assets are valued at P910.7 million and P929.8 million, respectively.

In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored for further fluctuations in existing market yield rates.

23.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash and cash equivalents	4	**P 4,454,957,590**	P 4,930,939,177
Trade and other receivables – net	5	**8,713,049,085**	6,505,856,735
Financial assets at FVTPL	6	**2,057,581,712**	3,209,481,581
Investments in RTB	7	**910,741,885**	929,773,159
Refundable security and bond deposits	9	**177,128,064**	98,320,376
Investment in trust fund	9	**603,185,500**	413,649,488
		P 16,916,643,836	P 16,088,020,516

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Group mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from the related parties and ensuring that collections are received within the agreed credit period. Moreover, the related advances from customers will be offset against the trade and other receivables.

Contract receivables are usually due within 45 to 60 days and do not bear any interest.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. No other financial assets are past due at the end of the reporting period. The contract receivables that are past due but not impaired are shown in the succeeding page.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Not more than 3 months	**P 396,965,578**	P 460,388,661
More than 3 months but not more than 4 months	**218,458,056**	89,178,660
More than 4 months but not more than one year	**244,126,776**	3,653,064
More than one year	**380,596,539**	379,338,459
	P1,240,146,949	P 932,558,844

The Group's management considers that the financial assets which are past due but not impaired for each reporting period are of good credit quality based on historical default rates. The balance of such receivables relates to reputable companies that have a good track record with the Group.

(c) Financial Assets at FVTPL and Investment in Trust Fund

In June 30, 2018 and December 31, 2017, the Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) Refundable Security and Bond Deposits, and Investments in RTB

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due. Also, the investments in RTB and bond deposits are made with the Philippine Government, hence, the exposure on credit risk is assessed by the management to be not be significant.

23.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

	June 30, 2018 (Unaudited)		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 2,462,212,813	P 47,478,110	P 27,560,073,858
Trade and other payables	5,677,086,527	-	-
Security deposits (gross of unearned income)	-	-	11,273,615
Retention payable (under Other Non-current Liabilities)	-	-	312,537,897
	P 8,139,299,340	**P 47,478,110**	**P27,883,885,370**

	December 31, 2017 (Audited)		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 2,487,337,886	P 75,987,851	P26,386,980,490
Trade and other payables	5,245,248,904	-	-
Security deposits (gross of unearned income)	-	-	3,895,236
Retention payable (under Other Non-current Liabilities)	-	-	234,464,123
	P 7,732,586,790	P 75,987,851	P26,625,339,849

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

24. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	June 30, 2018 (Unaudited) Carrying Values	June 30, 2018 (Unaudited) Fair Values	December 31, 2017 (Audited) Carrying Values	December 31, 2017 (Audited) Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	4	P 4,454,957,590	P 4,454,957,590	P 4,930,939,177	P 4,930,939,177
Trade and other receivables – net	5	8,713,049,084	8,713,049,084	6,505,856,735	6,505,856,735
Refundable security and bond deposits	9	177,128,064	177,128,064	98,320,376	98,320,376
Investment in trust fund	9	603,185,500	603,185,500	413,649,488	413,649,488
		13,948,320,238	13,948,320,238	11,948,765,776	11,948,765,776
Financial assets at FVTPL:	6				
Short-term commercial papers		2,055,635,568	2,055,635,568	3,207,553,457	3,207,553,457
UITF		1,946,144	1,946,144	1,928,124	1,928,124
		2,057,581,712	2,057,581,712	3,209,481,581	3,209,481,581
AFS financial assets:	7				
Investments in RTB		910,741,885	910,741,885	929,773,159	929,773,159
Club shares		1,044,472	1,044,472	1,044,472	1,044,472
Investment in SSPI – at cost		2,500,000	2,500,000	2,500,000	2,500,000
		914,286,357	914,286,357	933,317,631	933,317,631
		P 16,920,188,307	P 16,920,188,307	P 16,091,564,988	P 16,091,564,988
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	12	P 30,069,764,781	P 30,069,764,781	P 28,948,468,341	P 28,948,468,341
Trade and other payables	11	5,677,086,527	5,677,086,527	5,245,248,904	5,245,248,904
Security deposits	14	9,649,111	9,649,111	3,895,236	3,895,236
Retention payable*	14	312,537,897	312,537,897	234,464,123	234,464,123
		P 36,069,038,316	P 36,069,038,316	P 34,432,076,604	P 34,432,076,604

**Under Other Non-current Liabilities*

There were neither transfers between Level 1 and 2 nor changes in Level 3 instruments in both periods.

MEGAWIDE CONSTRUCTION CORP.
AGING OF RECEIVABLES
As of June 30, 2018

SEGMENT	CURRENT	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Over 180 days	TOTAL
Construction	2,290,727,720	1,351,657,119	131,076,168	3,688,393	43,950,734	72,406,275	-	495,202,534	4,388,708,942
Airport	289,382,603	46,423,801	24,787,607	24,151,874	6,882,086	269,376	193,748	12,939,945	405,031,040
Total	**2,580,110,323**	**1,398,080,920**	**155,863,775**	**27,840,267**	**50,832,820**	**72,675,651**	**193,748**	**508,142,479**	**4,793,739,982**