COVER SHEET

SEC Registration Number

2 6 9 8 6

Company Name

D.M. WENCESLAO & ASSOCIATES, INCORPORATED

Principal Office (No./Street/Barangay/City/Town/Province)

3/F ASEANA POWER STATION BLDG. D. MACAPAGAL BLVD. COR. BRADCO AVE., ASEANA CITY, PARANAQUE CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
iro@dmwai.com	854 - 5711	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
5		June 30

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ATTY. HEHERSON M. ASIDDAO		854 - 5711	

Contact Person's Address

Note: 1.) In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated

2.) All Boxes must be properly and completely filled up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and / or non-receipt of Notice of deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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. Commission identification number **26986**

3. BIR Tax Identification No **000-846-618-000**

4. Exact name of issuer as specified in its charter **D.M. Wenceslao & Associates, Incorporated**

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office and postal Code
 3/F Aseana Powerstation Building Aseana Business Park
 D. Macapagal Blvd. Cor. Bradco Ave., Aseana City, Parañaque City

8. Issuer's telephone number, including area code: **(632) 854-5711**

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of June 30, 2018

Title of each class	Number of shares issued and outstanding and amount of debt outstanding
Capital Stock, P1 par value	3,395,864,100

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

 Yes [x] No [ ]

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

 Stock Exchange: **Philippine Stock Exchange**
 Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

 (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or 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 the registrant was required to file such reports)

 Yes [x] No [ ]

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

 Yes [x] No [ ]

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED 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)
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	7	**P**	**9,690,462,988**	P	1,431,417,365
Receivables - net	8		**2,942,382,919**		2,330,700,527
Land and land development costs	10		**3,323,577,493**		3,323,617,571
Property development costs	9		**666,409,620**		593,004,032
Other current assets	11		**658,990,388**		533,396,960
Total Current Assets			**17,281,823,408**		8,212,136,455
NON-CURRENT ASSETS					
Receivables	8		**2,227,194,066**		1,916,924,794
Advances to and investments in associates, joint ventures and other related parties	12		**169,971,728**		3,035,348,266
Property and equipment - net	13		**141,656,649**		143,938,556
Investment properties - net	14		**18,749,052,035**		15,622,693,051
Other non-current assets	15		**119,411,303**		119,560,933
Total Non-current Assets			**21,407,285,781**		20,838,465,600
TOTAL ASSETS		**P**	**38,689,109,189**	P	29,050,602,055

	Notes	June 30, 2018 (UNAUDITED)	December 31 2017 (AUDITED)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans and borrowings	16	**P 1,539,733,411**	P 1,656,593,434
Trade and other payables	17	**2,145,342,014**	1,093,125,793
Advances from a co-joint venturer		**1,000,000,000**	1,000,000,000
Advances from related parties	22	**310,595,376**	312,485,234
Estimated liability for land development costs		**535,120,366**	570,710,150
Deposits and advances	18	**552,296,625**	540,604,530
Reserve for property development	9	**144,009,051**	101,054,804
Deferred gross profit on real estate sales	9	**43,083,007**	30,536,000
Total Current Liabilities		**6,270,179,850**	5,305,109,945
NON-CURRENT LIABILITIES			
Loans and borrowings	16	**658,125,000**	820,309,511
Due to a related party	22	**4,343,572,018**	4,343,572,018
Estimated liability for land development costs		**7,035,709,522**	7,035,709,522
Deposits and advances	18	**675,534,162**	573,963,532
Reserve for property development	9	**49,416,248**	42,749,889
Deferred gross profit on real estate sales	9	**21,956,527**	17,844,231
Deferred tax liabilities - net		**704,443,801**	588,750,291
Retirement benefit obligation		**64,448,471**	65,698,627
Total Non-current Liabilities		**13,553,205,749**	13,488,597,621
Total Liabilities		**19,823,385,599**	18,793,707,566
EQUITY			
Equity attributable to holders of the parent company			
Capital stock	24	**3,395,864,100**	2,716,691,200
Additional paid-in capital	24	**6,954,544,570**	-
Other Reserves		**(275,974,845)**	(275,974,845)
Revaluation reserves - net		**(10,935,176)**	(10,935,176)
Retained earnings		**8,137,921,189**	7,168,150,683
Total equity attributable to holders of the parent company		**18,201,419,838**	9,597,931,862
Noncontrolling interest		**664,303,752**	658,962,627
Total Equity		**18,865,723,590**	10,256,894,489
TOTAL LIABILITIES AND EQUITY		**P 38,689,109,189**	P 29,050,602,055

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2018 Unaudited April 1 to June 30 2018	2018 Unaudited January 1 to June 30 2018	2017 Unaudited April 1 to June 30 2017	2017 Unaudited January 1 to June 30 2017
REVENUES					
Rentals:					
Land	14	P 239,291,039	P 482,192,981	P 223,940,627	P 459,091,111
Building	14	183,631,649	351,900,929	90,986,470	207,608,330
Other revenues		66,205,767	127,909,026	55,604,605	75,425,231
		489,128,454	962,002,936	370,531,702	742,124,672
Land sales	10	-	1,252,800	605,040,000	605,040,000
Construction contracts		52,716,123	114,517,783	48,761,012	96,341,433
Sale of condominium units	9	95,515,590	119,484,279	47,402,820	112,492,067
		637,360,167	1,197,257,798	1,071,735,534	1,555,998,172
COSTS OF SERVICES AND SALES					
Rentals	19	73,071,220	140,152,158	48,197,286	100,633,993
Land sales	10	-	40,079	80,101,624	80,101,624
Construction contracts	19	52,221,417	64,353,627	31,988,503	68,057,338
Sale of condominium units:		-		-	
Cost of sales	9	64,532,505	80,925,094	31,007,034	90,409,623
Deferred gross profit	9	20,221,201	25,064,080	15,612,875	21,737,265
		210,046,343	310,535,038	206,907,322	360,939,843
GROSS PROFIT		427,313,824	886,722,760	864,828,212	1,195,058,329
OTHER OPERATING EXPENSES	21				
General and administrative		95,899,881	208,364,916	141,748,771	228,039,824
Selling		3,312,002	4,562,284	1,617,381	1,669,845
		99,211,883	212,927,200	143,366,152	229,709,669
OPERATING PROFIT		328,101,941	673,795,560	721,462,060	965,348,660
OTHER INCOME (CHARGES)					
Finance costs	16, 20	(14,913,585)	(31,372,164)	(12,720,749)	(32,899,381)
Share in net losses of associates and joint ventures	7, 9, 20	-	(84,057)	-	-
Finance income	7, 9, 20	2,489,865	13,570,317	858,169	2,759,982
Other income	20	336,329,524	637,908,238	4,230,791	14,562,795
		323,905,804	620,022,334	(7,631,789)	(15,576,604)
PROFIT BEFORE TAX		652,007,745	1,293,817,894	713,830,271	949,772,056
TAX EXPENSE		144,770,212	318,706,263	177,543,031	265,827,102
NET PROFIT		P 507,237,533	P 975,111,631	P 536,287,240	P 683,944,954
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		P 507,237,533	P 975,111,631	P 536,287,240	P 683,944,954
Net profit attributable to:					
Equity holders of the parent company		P 503,126,112	P 969,770,506	P 535,321,497	P 684,869,119
Noncontrolling interest		4,111,421	5,341,125	965,743	(924,165)
		P 507,237,533	P 975,111,631	P 536,287,240	P 683,944,954
Earnings Per Share - Basic and Diluted	23	P 0.16	P 0.32	P 0.20	P 0.25

See Notes to Condensed Consolidated Interim Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED June 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

		Attributable to Owners of the Parent Company								
						Retained Earnings				
	Note	Capital Stock	Revaluation Reserves - net	Additional Paid-in Capital	Other Reserves	Unappropriated	Appropriated	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2018		P 2,716,691,200	(P 10,935,176)		(P 275,974,845)	P 5,968,150,683	P 1,200,000,000	P 9,597,931,862	P 658,962,627	P 10,256,894,489
Subscription during the period		100						100		100
Issuances during the period	24	679,172,800	-	6,954,544,570	-	-	-	7,633,717,370	-	7,633,717,370
Total comprehensive income for the period		-	-	-	-	969,770,506	-	969,770,506	5,341,125	975,111,631
Balance at June 30, 2018	24	**P 3,395,864,100**	**(P 10,935,176)**	**P 6,954,544,570**	**(P 275,974,845)**	**P 6,937,921,189**	**P 1,200,000,000**	**P 18,201,419,838**	**P 664,303,752**	**P 18,865,723,590**
Balance at January 1, 2017		P 1,716,691,200	(P 21,052,954)	-	(P 275,974,845)	P 5,407,669,358	P 1,200,000,000	P 8,027,332,759	P 659,636,592	P 8,686,969,351
Issuances during the period	24	1,000,000,000	-		-	(1,000,000,000)	-	-	-	-
Total comprehensive income for the period		-	-	-	-	684,869,119	-	684,869,119	(924,165)	683,944,954
Balance at June 30, 2017	24	P 2,716,691,200	(P 21,052,954)	-	(P 275,974,845)	P 5,092,538,477	P 1,200,000,000	P 8,712,201,878	P 658,712,427	P 9,370,914,305

See Notes to Condensed Consolidated Interim Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 1,293,817,894	P 949,772,056
Adjustments for:			
Depreciation and amortization	13, 14	60,811,366	46,051,884
Finance costs	20	31,372,164	32,899,381
Finance income	20	(13,317,932)	(2,759,982)
Share in net losses of associates and joint ventures		84,057	-
Unrealized foreign currency gains - net		(252,385)	-
Operating profit before working capital changes		1,372,515,164	1,025,963,339
Increase in receivables		(890,851,019)	(342,901,235)
Decrease in land and land development costs		40,078	80,101,624
Increase in property development costs		(73,405,588)	(16,821,808)
Increase in other assets		(218,419,385)	(95,830,996)
Increase in trade and other payables		941,553,906	268,562,557
Decrease in estimated liability for land development costs		(22,638,513)	(88,460,679)
Increase in deposits and advances		113,262,725	39,657,148
Increase in reserve for property development		49,620,606	85,512,448
Increase in deferred gross profit on real estate sales		16,659,303	21,053,105
Decrease in retirement benefit obligation		(1,250,156)	(566,145)
Cash generated from operations		1,287,087,121	976,269,358
Cash paid for income taxes		(80,448,365)	(64,719,142)
Interest received		13,317,932	1,205,199
Net Cash From Operating Activities		1,219,956,688	912,755,415
CASH FLOWS FROM INVESTING ACTIVITIES			
Construction in progress and development costs of investment properties		(229,788,590)	(374,626,940)
Acquisitions of property and equipment	13	(20,688,406)	(5,261,339)
Additional advances to and investments in associates, joint ventures and other related parties	22	(32,097,268)	74,418,444
Acquisition of available-for-sale financial assets		-	(35,692,540)
Net Cash Used in Investing Activities		(282,574,264)	(341,162,375)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of capital stock		7,633,717,370	-
Rrepayments of interest-bearing loans and borrowings		(279,044,534)	-
Finance costs paid		(31,372,164)	(32,899,381)
Advances received from related parties	22	(1,889,858)	4,308,299
Net Cash From (Used in) Financing Activities		7,321,410,814	(28,591,082)
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents		252,385	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,259,045,623	543,001,958
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,431,417,365	815,171,402
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 9,690,462,988	P 1,358,173,360

See Notes to Condensed Consolidated Interim Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(With Comparative Audited Figures as of December 31, 2017)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

D.M. Wenceslao & Associates, Incorporated (DMWAI or the Parent Company) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing. On December 4, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Parent Company's application for the extension of its corporate life.

DMWAI holds certain investments in entities that are either subsidiaries, associates or joint ventures and all are incorporated in the Philippines (see Notes 1.2 and 12).

DMWAI is a subsidiary of Wendel Holdings Co., Inc. (WHI or Ultimate Parent Company), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 78.65% as of June 30, 2018 and December 31, 2017.

On March 6, 2018, the Company filed its application with the Philippine Stock Exchange (PSE) for the listing of its Common Shares that are already issued and outstanding, as well as the Offer Shares. The Board of Directors of the PSE approved the Company's application for the listing of the Common Shares on May 23, 2018

On March 6, 2018, the Company filed a Registrant Statement covering the Offer Shares with the Philippine Securities and Exchange Commission, in accordance with the provisions of the Securities Regulation Code.

The shares of stock of the Company are officially listed in the PSE on June 29, 2018. The Company listed 679,172,800 Common Shares generating proceeds (the Offering Proceeds) of P8,150.1 million. As of June 30, 2018, proceeds from the Offering amounted to P7,956.0 million net of offer-related expenses paid.

DMWAI's registered office, which is also its principal place of business, is located at 3rd Floor Aseana Powerstation Building, Pres. Macapagal Avenue, Aseana Business Park, Parañaque City. The registered office of WHI, which is also its principal place of business, is at 306 E. Rodriguez Sr. Boulevard, Quezon City.

1.2 Subsidiaries, Associates and Joint Ventures

As of June 30, 2018 and December 31, 2017, the Parent Company holds effective ownership interests in certain subsidiaries (together with the Parent Company, collectively hereinafter referred to as the "Group"), that are currently operating or are established to engage in businesses related to the main business of the Parent Company, in these condensed consolidated financial statements.

Name of Subsidiaries/Associates/Joint Ventures	Explanatory Notes	Effective Percentage of Ownership **June 30, 2018**	December 31, 2017
Subsidiaries:			
Direct:			
Aseana Residential Holdings Corp. (ARHC), *formerly Bowood Holdings, Inc.*	(a)	**100.00%**	100.00%
Aseana Holdings, Inc. (AHI)	(b)	**99.98%**	99.98%
Fabricom, Inc. (FI), *formerly Fabricom-XCMG Philippines, Inc.*	(c)	**99.98%**	99.98%
Fabricom Realty Development Corporation (FRDC)	(d)	**62.20%**	62.20%
R-1 Consortium, Inc. (R-1)	(e)	**55.45%**	55.45%
Direct and Indirect:			
Portal Holdings, Inc. (PHI)	(f)	**100.00%**	100.00%
Mandaue Land Consortium, Inc. (MLCI)	(g)	**81.00%**	81.00%
Aseana I.T. Plaza, Inc. (AITPI)	(h)	**66.97%**	66.97%
SHLP BBP Realty, Inc. (SBRI)	(i)	**55.96%**	55.96%
Indirect:			
Reine, Inc. (Reine)	(j)	**100.00%**	100.00%
Boracay International Airport & Dev't Corp. (BIADC)	(k)	**99.98%**	99.98%
U-City Technologies Philippines, Inc.	(l)	**99.98%**	99.98%
Aseana City Transport & Travel Corp.	(m)	**99.98%**	99.98%
Aseana Gas Energy Corp. (AGEC)	(n)	**99.98%**	99.98%
Bay Area Holdings, Inc. (BAHI)	(o)	**59.98%**	59.98%
Associates:			
Alphaland Heavy Equipment, Corp. (AHEC)	(p)	**50.00%**	50.00%
European Resources and Technology, Inc.	(q)	**42.00%**	42.00%
Aseana CL, Beach and Marina Development Corporation (ACBMDC)	(r)	**36.00%**	36.00%
Joint ventures:			
Bay Resources and Development Corporation (BRADCO)	(s)	**50.00%**	50.00%
Alphaland Bay City Corporation (ABCC)	(t)	**-**	34.73%

Notes:

(a) Established to purchase, acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of, subject to limitations imposed by law, real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.

(b) Established to engage in the business of owning, holding, exchanging, or otherwise disposing such items as real and personal properties, and securities such as stocks, bonds and to take part and assist in any legal matter for the purchase and sale of any securities as may be allowed by law without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.

(c) Established to engage in the business of importation and marketing of heavy equipment, industrial equipment or any commercial products, which may be the object of commerce for the attainment of corporate objectives.

(d) Established to engage in housing and real estate development and selling and engaging in other related activities.

(e) Established to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, or otherwise engaging in any work upon building roads, highways, manufacturing plants, bridges, airfields, piers, docks, mines, masonry and earth construction, and to make, execute, bid for and take or receive any contracts or assignment of contracts in relation thereto.

(f) DMWAI's effective interest is derived from its 40.00% direct ownership and 60.00% indirect holdings through ARHC. PHI was established to purchase, subscribe for, or otherwise acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.

(g) DMWAI's effective interest is derived from its 40.00% direct ownership and 41.00% indirect holdings through AHI and R-1 which own 30.00% and 20.00%, respectively. MLCI was established to engage in general realty and other allied businesses including owning, improving, subdividing, developing, reclaiming, enlarging, repairing, constructing, exchanging, leasing and holding investment or otherwise, real estate and lands of all kinds and any buildings, houses and other structures.

(h) DMWAI's effective ownership interest is derived from its 41.98% direct ownership and 24.99% indirect holdings through PHI. AITPI was established to engage in the business of owning, using, improving, developing, selling, exchanging, leasing, and holding for investment or otherwise, real estate of all kinds, including building houses, apartments and other structures, and related activities.

(i) DMWAI's effective ownership is derived from its 29.98% direct ownership and 25.98% indirect holdings through AHI, BAHI and PHI which each owns 9.99% of SBRI. SBRI was established to engage in real estate development and other related activities.

(j) Reine was acquired in 2016 and indirectly owned through AHI; established to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances.

(k) Indirectly owned through AHI; established to build an international airport in Boracay, Municipality of Malay and/ or Carabao Island, San Jose, Romblon, Philippines.

(l) Indirectly owned through AHI; established to install and provide electronic security apparatus and products to industrial, commercial and other establishments whether public or private for the purpose of securing or protecting properties and other related services.

(m) Indirectly owned through AHI; established to engage in the business of transportation of passengers by means of public utility vehicles for the general public and to lease out or rent its public utility vehicles for special trips.

(n) Indirectly owned through AHI; established to engage in, conduct and carry on the business of buying, selling, distributing, marketing of liquefied petroleum gas and other fuel products at wholesale or retail and to construct a reticulation network in strategically located tank to enable safe and sufficient distribution of piped gas to end users in Aseana Business Park.

(o) Indirectly owned through FI; established to purchase, acquire, or otherwise own and hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, real and personal property, including land, buildings, condominiums and engaging in other related activities.

(p) Indirectly owned through FI; established to purchase, import, or otherwise acquire, lease, sell, distribute, market, convey or otherwise dispose heavy equipment, machinery and related implements. As of June 30, 2018, AHEC is currently in the process of liquidation.

(q) Established to engage in collecting, segregating, recycling, composting, filling, disposing, treating or otherwise managing household, industrial and other kinds of garbage for local, or other government units and private persons and firms as well as extended guidance and education for proper waste management.

(r) DMWAI's effective interest is derived from its 10.00% direct ownership and 26.00% indirect holdings through AHI. ACBMDC was established to engage in real estate business with marinas, cruise liner facilities and beach resorts in all its aspects; to acquire, rent or otherwise deal in and dispose of all kinds or real estate objects, involving commercial, industrial, urban, residential or other kinds of real property.

(s) BRADCO was established to acquire, develop and market real estate properties.

(t) ABCC was established to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. In 2018, the joint venture agreement was terminated (see Note 12.2).

As of June, 30, 2018, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGEC, ACBMDC and ABCC have not yet started commercial operations.

1.3 Approval of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements of the Group as of and for the six months ended June 30, 2018 (including the comparatives as of December 31, 2017 and for the six months ended June 30, 2018) were approved and authorized for issue by the Parent Company's Board of Directors (BOD) on July 25, 2018.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* This condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2017, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

This condensed consolidated interim financial statements are presented in Philippine pesos, the Group's functional and presentation currency.

The Group's accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2017 and the corresponding interim reporting period, except for the adoption of PFRS 9 (2014), *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers,* and other amendments to PFRS which became effective January 1, 2018, as further described in the Group's 2017 annual consolidated financial statements. These new PFRSs and amendments did not have significant impact on the Group's condensed consolidated interim financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's condensed consolidated interim financial statements in accordance with PAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the condensed consolidated financial statements. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's last annual consolidated financial statements as of and for the year ended December 31, 2017.

4. SEGMENT REPORTING

4.1 Business Segments

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

(a) *Rentals* – refers to leasing of real estate properties, including land and building and other structures.

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

(c) *Sale of Land and Condominium Units* – involve the development and sale of industrial and other parcels of land and residential condominium units.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, land and land development cost, property development costs, property and equipment, and investment properties. 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 loans and borrowings, trade and other payables, estimated liability for land development costs, reserve for property development and deposits and advances. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information is analyzed as follows for the six months ended June 30, 2018 and 2017 (in thousands):

	Rentals		Construction		Sale of Land and Condominium Units		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
REVENUES								
Sales to external customers	**P 962,003**	P 742,125	**P 114,518**	P 96,341	**P 120,737**	P 717,532	**P 1,197,258**	P 1,555,998
Intersegment sales	**90,646**	74,120	**299,873**	314,833	**-**	-	**390,519**	388,953
Total revenues	**1,052,649**	816,245	**414,391**	411,174	**120,737**	717,532	**1,587,777**	1,944,951
COSTS AND OTHER OPERATING EXPENSES								
Cost of sales and services excluding depreciation and amortization	**90,970**	67,489	**60,940**	63,134	**106,029**	192,249	**257,939**	322,872
Depreciation and and amortization	**49,182**	33,145	**3,413**	4,924	**-**	-	**52,595**	38,069
Other expenses	**56,091**	49,330	**3,349**	1,916	**16,477**	31,614	**75,917**	82,860
	196,243	149,964	**67,702**	69,974	**122,506**	223,863	**386,451**	443,801
SEGMENT OPERATING PROFIT (LOSS)	**P 856,406**	P 666,281	**P 346,689**	P 341,200	**(P 1,769)**	P 493,669	**P 1,201,326**	P 1,501,150

Segment assets and liabilities are allocated to each segment as follows (in thousands):

	Rentals		Construction		Sale of Land and Condominium Units		Total	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Total Assets	Total Liabilities
June 30, 2018	**P 23,274,048**	**P 9,596,478**	**P 2,801,654**	**P 1,301,614**	**P 5,366,304**	**P 8,819,159**	**P 31,442,006**	**P 19,717,251**
December 31, 2017	19,394,528	9,178,722	2,958,038	967,787	4,487,534	8,641,690	26,840,100	18,788,199

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the condensed consolidated financial statements are as follows (in thousands):

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Revenues		
Total segment revenues	**P 1,587,777**	P 1,944,951
Elimination of intersegment revenues	**(390,519)**	(388,953)
Revenues as reported in the condensed consolidated statements of comprehensive income	**P 1,197,258**	P 1,555,998
Profit or loss		
Segment operating profit	**P 1,201,325**	P 1,501,150
Elimination of intersegment revenues	**(390,519)**	(388,953)
Other unallocated expenses	**(137,010)**	(146,848)
Operating profit as reported in the condensed consolidated statements of comprehensive income	**P 673,796**	P 965,349
Finance costs	**(31,372)**	(32,899)
Finance income	**13,570**	2,760
Share in net losses of associates and joint ventures	**(84)**	–
Other unallocated income	**637,908**	14,562
Profit before tax as reported in the condensed consolidated statements of comprehensive income	**P 1,283,818**	P 949,772

		June 30, 2018 (Unaudited)		December 31, 2017 (Audited)
Assets				
Segment assets	**P**	**31,442,006**	P	26,840,100
Other unallocated assets**		**11,843,798**		6,347,650
Elimination of intercompany accounts	**(**	**4,596,695)**	(	4,137,148)
Total assets reported in the condensed consolidated statements of financial position	**P**	**38,689,109**	P	29,050,602
Liabilities				
Segment liabilities	**P**	**19,717,251**	P	18,788,199
Deferred tax liabilities - net		**719,236**		588,750
Other unallocated liabilities**		**1,578,273**		1,241,258
Elimination of intercompany accounts	**(**	**2,191,374)**	(	1,824,499)
Total liabilities as reported in the condensed consolidated statements of financial position	**P**	**19,823,386**	P	18,793,708

***Other unallocated assets and liabilities mostly pertain to intercompany advances to and/or from related parties not eliminated in the consolidation.*

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to risk in relation to its operating, investing, and financial activities, and the business environment in which it operates. Generally, the Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks. In managing financial instruments, the Group is exposed to financial risk such as market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; hence, they should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2017.

There have been no significant changes in the risk management structure of the Group or in any risk management policies since the previous annual period.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which an asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

6.2 Financial Instruments Measurement at Fair Value

The Group's financial assets at fair value through other comprehensive income (FVTOCI) include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of June 30, 2018 and December 31, 2017, the Group's financial assets measured at fair value amounted to P1.6 million (see Note 15).

The Group has no financial liabilities measured at fair value as of June 30, 2018 and December 31, 2017.

There were neither transfers between Levels 1, 2 and 3 instruments in both periods.

Certain financial assets at FVTOCI amounting to P74.2 million as of June 30, 2018 and December 31, 2017 were measured at cost which approximates its fair value.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the condensed consolidated statements of financial position but for which fair value is required to be disclosed.

	June 30, 2018 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	P 9,690,462,988	P -	P -	P 9,690,462,988
Receivables – net	-	-	5,169,576,985	5,169,576,985
Advances to associates, joint ventures and other related parties	-	-	169,971,728	169,971,728
	P 9,690,462,988	**P -**	**P 5,339,548,713**	**P 15,030,011,701**
Financial Liabilities				
Loans and borrowings	P -	P -	P 2,197,858,411	P 2,197,858,411
Trade and other payables	-	-	2,145,342,014	2,145,342,014
Advances from and due to related parties	-	-	4,654,167,394	4,654,167,394
Advances from a co-joint venturer	-	-	1,000,000,000	1,000,000,000
Rental deposits	-	-	247,276,922	247,276,922
Construction bond	-	-	45,771,688	45,771,688
	P -	**P -**	**P 10,290,416,429**	**P 10,290,416,429**

	December 31, 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	P 1,431,417,365	P -	P -	P 1,431,417,365
Receivables – net	-	-	4,094,543,956	4,094,543,956
Advances to associates, joint ventures and other related parties	-	-	119,532,475	119,532,475
	P 1,431,417,365	P -	P 4,214,076,431	P 5,645,493,796
Financial Liabilities				
Loans and borrowings	P -	P -	P 2,428,094,520	P 2,428,094,520
Trade and other payables	-	-	934,383,270	934,383,270
Advances from and due to related parties	-	-	4,656,057,252	4,656,057,252
Advances from a co-joint venturer	-	-	1,000,000,000	1,000,000,000
Rental deposits	-	-	205,254,953	205,254,953
Construction bond	-	-	14,101,059	14,101,059
	P -	P -	P 9,237,891,054	P 9,237,891,054

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

6.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table below shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed as of June 30, 2018 and December 31, 2017.

	Level 1	**Level 2**	**Level 3**	**Total**
Land	P -	P 71,993,562,982	P -	P 71,993,562,982
Buildings and improvements	-	-	2,865,122,127	2,865,122,127
Construction in progress	-	-	946,745,476	946,745,476
	P -	**P 71,993,562,982**	**P 3,811,867,603**	**P 75,805,430,585**

The above fair value information was based on the appraisal conducted by the Group's independent appraiser during the first quarter of 2018 with valuation effective December 31, 2017. There have been no significant changes in the property values during the six months ended June 30, 2018.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand and in banks	**P 9,687,748,062**	P 1,291,743,244
Short-term placements	**2,714,926**	139,674,121
	P 9,690,462,988	P 1,431,417,365

Short-term placements are made for varying periods of between 30 to 90 days and earn effective interest ranging from 0.75% to 0.88% during the six months ended June 30, 2018 and 2017 (see Note 20.2).

8. RECEIVABLES

This account is composed of the following:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current:			
Advances to:			
Related parties	22.1	**P 745,870,753**	P 714,770,208
Suppliers		**574,740,381**	153,081,365
Officers and employees		**7,676,502**	9,194,347
Contracts receivables		**609,783,248**	690,680,730
Rental receivables		**831,565,249**	626,426,101
Retention receivables		**19,189,860**	53,602,674
Receivables from sale of condominium units		**101,141,275**	30,121,275
Refundable deposits		**22,492,947**	18,997,481
Installment receivables		**307,261**	-
Others		**31,187,134**	35,398,037
		2,943,954,610	2,332,272,218
Allowance for impairment		**(1,571,691)**	(1,571,691)
		2,942,382,919	2,330,700,527
Non-current:			
Rental receivables		**2,048,456,379**	1,809,690,204
Receivables from sale of condominium units		**178,737,687**	107,234,590
		2,227,194,066	1,916,924,794
		P 5,169,576,985	P 4,247,625,321

Receivables that are past due but not impaired as at the end of the six months reporting period are shown below:

	June 30, 2018	December 31, 2017
Not more than three months	**95,660,539**	57,212,280
More than three months but not more than one year	**157,112,451**	48,577,234
More than one year	**689,964,234**	629,273,754
	942,737,224	735,063,268

9. PROPERTY DEVELOPMENT COSTS AND REAL ESTATE TRANSACTIONS

The Group capitalized certain costs as property development costs representing properties under development and construction. Costs incurred comprise of actual costs of construction and related engineering, architectural and other consultancy fees related to the development of its residential condominium projects, “Pixel Residences” and “MidPark Towers” located in Aseana City. The accumulated balance of Property Development Costs as presented in the condensed consolidated statements of financial position amounted to P666.4 million and P593.0 million as of June 30, 2018 and December 31, 2017, respectively.

The Group conducts pre-selling activities before and during the construction period of its projects. Estimated costs to complete the construction of units sold are presented as Reserve for Property Development under current and non-current liabilities sections in the condensed consolidated financial statements.

Sale of condominium units as presented in the condensed consolidated statements of comprehensive income comprises of residential condominium units sold amounting to P119.5 million and P112.5 million, net of day-one loss of P15.7 million for the six months ended June 30, 2018 and 2017, respectively. Income from subsequent amortization of day-one loss amounted to P10.6 million and P1.5 million for the six months ended June 30, 2018 and 2017, respectively, and is included as part of Interest income on sale of condominium units presented under Finance Income in the condensed consolidated statements of comprehensive income. The related realized gross profit on current year’s sale of condominium units amounted to P8.2 million and P0.2 million while deferred gross profit amounted to P25.1 million and P21.7 million for the six months ended June 30, 2018 and 2017, respectively. Realized gross profit on prior years’ sale amounted to P5.3 million and P0.1 million for the six months ended June 30, 2018 and 2017, respectively.

Percentage of completion of Pixel Residences as at June 30, 2018 and 2017 is 24.7% and 4.6%, respectively.

Cost of sale of condominium units as presented in the condensed consolidated statements of comprehensive income includes actual costs amounting to P20.0 million and P4.0 million and estimated cost to complete amounting to P60.0 million and P86.0 million for the six months ended June 30, 2018 and 2017, respectively.

Portion of the land with carrying amount of P30.1 million as of December 31, 2017 are used as collateral for certain loans with local banks. In 2018, the Group and a certain bank mutually agreed to release this collateral (see Note 16).

10. LAND AND LAND DEVELOPMENT COSTS

This account pertains to the cost of land available for sale located in Aseana Business Park, Parañaque City; Ciudad Nuevo Park, Cavite City; and Lunzuran Heights Subdivision, Zamboanga City with a total lot area of 247,851 square meters as of June 30, 2018 and December 31, 2017.

The analysis of the movements of the balance of Land and Land Development Costs is as follows:

	Note	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Balance at beginning of period		**P 3,323,617,571**	P 3,519,847,473
Sales during the period	21	**(40,078)**	(141,520,283)
Reclassification		**-**	(54,709,619)
Balance at end of period		**P 3,323,577,493**	P 3,323,617,571

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of June 30, 2018. As of June 30, 2018 and December 31, 2017, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 and carrying amounts of P88.2 million, is used as collateral to secure certain peso denominated interest-bearing loans (see Note 16).

11. OTHER CURRENT ASSETS

This account consists of the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Prepayments	**P 205,257,140**	P 155,408,894
Input value added tax (VAT)	**229,715,933**	167,948,329
Deferred input VAT	**210,200,344**	103,843,638
Creditable withholding tax	**9,440,537**	102,416,124
Others	**4,376,433**	3,779,975
	P 658,990,387	P 533,396,960

12. ADVANCES TO AND INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER RELATED PARTIES

This account consists of the following:

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Investments in:			
Associates	12.1	P 49,442,530	P 49,526,587
Joint ventures	12.2	-	2,866,289,204
		49,442,530	2,915,815,791
Advances to:			
Joint ventures		95,829,757	95,503,565
Parent		16,247,790	15,938,375
Associates		6,693,915	6,178,834
Stockholders		-	300,000
Related parties under common management and ownership		1,757,736	1,611,701
	22.1	120,529,198	119,532,475
		P 169,971,728	P 3,035,348,266

12.1 Investments in Associates

The movements in the carrying amount of investments in associates, which is accounted for under the equity method in the condensed consolidated financial statements of the Group, are shown below.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Acquisition costs	P 56,913,213	P 56,913,213
Accumulated share in net losses:		
Balance at beginning of period	(7,386,626)	(7,161,955)
Share in net losses	(84,057)	(224,671)
Balance at end of period	(7,470,683)	(7,386,626)
	P 49,442,530	P 49,526,587

12.2 Investments in Joint Ventures

The Group's joint ventures include ABCC and BRADCO. The movements in the carrying amount of investments in joint ventures, which is accounted for under the equity method in the condensed consolidated financial statements of the Group, are shown below.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Acquisition costs	**P 2,904,530,000**	P 2,904,530,000
Reclassification to investment properties	**(2,902,530,000)**	-
	2,000,000	2,904,530,000
Accumulated share in net losses:		
Balance at beginning of period	**(38,240,796)**	(37,472,490)
Reclassification to investment properties	**36,240,796**	-
Share in net losses	**-**	(768,306)
Balance at end of period	**(2,000,000)**	(38,240,796)
	P -	P 2,866,289,204

In 2018, the Group, along with the Ultimate Parent Company and ABCC, entered into a Settlement Agreement with Alphaland Development, Inc. (ADI) regarding their joint venture agreements (the JV Agreements), and all disputes related thereto, in relation to the development of the Alphaland Bay City project located in Aseana City, Paranaque City. Under the Settlement Agreement, the parties have agreed to terminate, rescind or otherwise cancel the JV Agreements, and waive and release any and all rights or interests they, or may have arising therefrom (see also Note 20.3). Accordingly, the carrying amount of the investment in ABCC representing parcels of land previously recognized as investment property, which were contributed to the joint arrangement, amounting to P2,866.3 million as of the termination date of the joint arrangement was reclassified to Investment Properties account (see Note 14).

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of the six months ended June 30, 2018 and the year ended December 31, 2017 are shown below.

	Land	Land Improvements	Leasehold Improvements	Machinery and Construction Equipment	Transportation Equipment	Furniture and Office Equipment	Machinery and Other Equipment	Total
June 30, 2018								
Cost	P 9,291,800	P 4,034,354	P 36,307,260	P 434,516,881	P 40,490,528	P 36,041,848	P 14,244,402	P 574,927,073
Accumulated depreciation and amortization	-	(2,509,175)	(17,521,197)	(334,474,687)	(37,452,811)	(27,600,208)	(13,712,346)	(433,270,424)
Net carrying amount	**P 9,291,800**	**P 1,525,179**	**P 18,786,063**	**P 100,042,194**	**P 3,037,717**	**P 8,441,640**	**P 532,056**	**P 141,656,649**
December 31, 2017								
Cost	P 9,291,800	P 4,034,354	P 36,307,260	P 416,235,610	P 39,264,635	P 34,860,606	P 14,244,402	P 554,238,667
Accumulated depreciation and amortization	-	(2,376,794)	(14,376,605)	(318,110,172)	(36,414,616)	(25,469,013)	(13,552,911)	(410,300,111)
Net carrying amount	P 9,291,800	P 1,657,560	P 21,930,655	P 98,125,438	P 2,850,019	P 9,391,593	P 691,491	P 143,938,556
January 1, 2017								
Cost	P 9,291,800	P 4,034,354	P 35,492,165	P 405,550,668	P 39,264,635	P 27,451,902	P 14,244,402	P 535,329,926
Accumulated depreciation and amortization	-	(2,112,031)	(8,120,241)	(289,238,965)	(33,812,045)	(21,991,581)	(13,253,462)	368,528,325
Net carrying amount	P 9,291,800	P 1,922,323	P 27,371,924	P 116,311,703	P 5,452,590	P 5,460,321	P 990,940	P 166,801,601

A reconciliation of the carrying amounts at the beginning and end of the six months ended June 30, 2018 and the year ended December 31, 2017 of property and equipment is shown below.

	Land	Land Improvements	Leasehold Improvements	Machinery and Construction Equipment	Transportation Equipment	Furniture and Office Equipment	Machinery and Other Equipment	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 9,291,800	P 1,657,560	P 21,930,655	P 98,125,438	P 2,850,019	P 9,391,593	P 691,491	P 143,938,556
Additions	-	-	-	18,281,271	1,225,893	1,181,242	-	20,688,406
Depreciation and amortization charges for the period	-	(132,381)	(3,144,592)	(16,364,515)	(1,038,195)	(2,131,195)	(159,435)	(22,970,313)
Balance at June 30, 2018, net of accumulated depreciation and amortization	**P 9,291,800**	**P 1,525,179**	**P 18,786,063**	**P 100,042,194**	**P 3,037,717**	**P 8,441,640**	**P 532,056**	**P 141,656,649**
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 9,291,800	P 1,922,323	P 27,371,924	P 116,311,703	P 5,452,590	P 5,460,321	P 990,940	P 166,801,601
Additions	-	-	815,095	10,684,942	-	7,408,704	-	18,908,741
Depreciation and amortization charges for the year	-	(264,763)	(6,256,364)	(28,871,207)	(2,602,571)	(3,477,432)	(299,449)	(41,771,786)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 9,291,800	P 1,657,560	P 21,930,655	P 98,125,438	P 2,850,019	P 9,391,593	P 691,491	P 143,938,556

The amount of depreciation and amortization is allocated as follows:

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Capitalized as part of land and land development costs		**P 12,951,272**	P 22,395,603
Cost of construction contracts	19.1	**3,413,243**	7,721,327
General and administrative expense	21	**6,605,798**	11,654,856
		P 22,970,313	P 41,771,786

14. INVESTMENT PROPERTIES

The gross carrying amounts and the accumulated depreciation of investment properties at the beginning and end of the six months ended June 30, 2018 and the year ended December 31, 2017 are shown below.

	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
June 30, 2018					
Cost	P 16,100,537,864	P 2,797,935,801	P 25,228,650	P 218,908,027	P 19,142,610,342
Accumulated depreciation	-	(390,555,442)	(3,002,865)	(-)	(393,558,307)
Net carrying amount	**P 16,100,537,864**	**P 2,407,380,359**	**P 22,225,785**	**P 218,908,027**	**P 18,749,052,035**
December 31, 2017					
Cost	P 13,234,248,660	P 1,759,236,249	P 25,228,650	P 946,745,476	P 15,965,459,035
Accumulated depreciation	-	(340,267,692)	(2,498,292)	-	(342,765,984)
Net carrying amount	P 13,234,248,660	P 1,418,968,557	P 22,730,358	P 946,745,476	P 15,622,693,051
January 1, 2017					
Cost	P 13,303,681,180	P 1,670,413,757	P 25,228,650	P 272,833,239	P 15,272,156,826
Accumulated depreciation	-	(272,391,090)	(1,489,146)	-	(273,880,236)
Net carrying amount	P 13,303,681,180	P 1,398,022,667	P 23,739,504	P 272,833,239	P 14,998,276,590

The reconciliation of the carrying amounts of investment properties at the beginning and end of the six months ended June 30, 2018 and the year ended December 31, 2017 is shown below.

	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
Balance at January 1, 2018, net of accumulated depreciation	P 13,234,248,660	P 1,418,968,557	P 22,730,358	P 946,745,476	P 15,622,693,051
Additions	-	52,807	-	310,809,296	310,862,103
Reclassification from CIP to building and improvements	-	1,038,646,745	-	(1,038,646,745)	-
Reclassification from investments in joint venture	2,866,289,204	-	-	-	2,866,289,204
Depreciation charges for the period	-	(50,287,750)	(504,573)	-	(50,792,323)
Balance at June 30, 2018, net of accumulated depreciation	**P 16,100,537,864**	**P 2,407,380,359**	**P 22,225,785**	**P 218,908,027**	**P 18,749,052,035**

	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
Balance at January 1, 2017, net of accumulated depreciation	P 13,303,681,180	P 1,398,022,667	P 23,739,504	P 272,833,239	P 14,998,276,590
Additions	67,000,000	7,201,261	-	755,533,468	829,734,729
Disposal	(191,142,139)	-	-	-	(191,142,139)
Reclassification from CIP to building and improvements	-	81,621,231	-	(81,621,231)	-
Reclassification from land and land development costs	54,709,619	-	-	-	54,709,619
Depreciation charges for the year	-	(67,876,602)	(1,009,146)	-	(68,885,748)
Balance at December 31, 2017, net of accumulated depreciation	P 13,234,248,660	P 1,418,968,557	P 22,730,358	P 946,745,476	P 15,622,693,051

The amount of depreciation is allocated as follows:

	Notes	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Cost of rentals	19.2	**P 49,182,402**	P 65,464,981
General and administrative expense	21	**1,609,923**	3,420,766
		P 50,792,325	P 68,885,747

Land and building rental revenues recognized from investment properties amounted to P666.7 million and P351.8 million in 2018 and 2017, respectively, and are shown as Rentals under Revenues account in the condensed consolidated statements of comprehensive income. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the condensed consolidated statements of comprehensive income (see Note 19.2).

In 2018, the Group reclassified the carrying amount of its investment in ABCC as a result of the termination of the JV agreements among the Parent Company, the Ultimate Parent Company and ADI (see Note 12.2).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2018 and 2017.

Certain investment properties with carrying amount of P1,519.5 million as of June 30, 2018 and December 31, 2017, are used as collateral for certain loans with local banks (see Note 16).

15. OTHER NON-CURRENT ASSETS

This account includes the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Financial assets at FVTOCI	**P 75,795,710**	P 75,795,710
Deposits for future investment	**33,476,935**	33,476,935
Others	**10,138,658**	10,288,288
	P 119,411,303	P 119,560,933

The reconciliation of the carrying amounts of financial assets at FVTOCI is as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	**P 75,795,710**	P 26,886,815
Additions	**-**	48,828,780
Unrealized fair value gain	**-**	80,115
Balance at end of period	**P 75,795,710**	P 75,795,710

Financial assets at FVTOCI consist of investment in golf club shares and certain equity securities. The Group used Level 2 in determining the fair value of financial assets at FVTOCI except for certain financial assets measured at cost which approximates its fair value as these were only acquired in 2017.

16. LOANS AND BORROWINGS

The Group's short-term and long-term loans and borrowings are classified in the condensed consolidated statements of financial position as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current	**P 1,539,733,411**	P 1,656,593,434
Non-current	**658,125,000**	820,309,511
	P 2,197,858,411	P 2,476,902,945

Bank loans represent partially secured and unsecured loans from local commercial banks. These loans bear annual interest rates ranging from 3.00% to 3.5% per annum in 2018 and 2017 and are subject to monthly repricing based on prevailing market rate.

In 2018 and 2017, interest costs related to bank loans amounted to P29.5 million and P32.8 million, respectively, and were recognized as part of Finance costs under Other Income (Charges) account in the condensed consolidated statements of comprehensive income (see Note 20.1).

As of June 30, 2018 and December 31, 2017, bank loans are partially secured by certain assets as follows:

	Notes	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Investment properties	14	**P 1,519,516,046**	P 1,519,516,046
Land and land development costs	10	**88,235,704**	88,235,704
Property development costs	9	**-**	30,089,741
		P 1,607,751,750	P 1,637,841,491

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade payables	**P 1,158,340,599**	P 698,295,258
Deferred output VAT payable	**272,586,241**	133,623,833
Accrued expenses	**534,064,363**	206,128,350
Output VAT payable	**95,412,914**	-
Income tax payable	**53,161,877**	23,573,076
Retention payable	**26,536,086**	22,998,861
Other payables	**5,239,934**	8,506,415
	P 2,145,342,014	P 1,093,125,793

18. DEPOSITS AND ADVANCES

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current:		
Advance rentals	**P 239,949,493**	P 284,646,483
Reservation deposits	**142,880,312**	134,542,236
Rental deposits	**58,523,993**	88,498,491
Construction bond	**45,771,688**	14,101,059
Unearned rent income	**26,571,983**	2,648,953
Buyers' deposits	**1,009,196**	1,009,196
Others	**37,589,960**	15,158,112
	552,296,625	540,604,530
Non-current:		
Advance rentals	**412,396,119**	397,188,898
Rental deposits	**188,752,929**	116,756,462
Unearned rent income	**68,557,281**	54,190,339
Buyers' deposits	**5,827,833**	5,827,833
	675,534,162	573,963,532
	P 1,227,830,787	P 1,114,568,062

19. COSTS OF SERVICES

19.1 Cost of Construction Contracts

The details of cost of construction contracts are shown below.

	Notes	2018	2017
Construction materials		**P 33,932,293**	P 16,002,615
Subcontract	13	**24,703,222**	37,736,828
Depreciation and amortization		**3,413,243**	4,923,503
Salaries and employee benefits		**1,201,341**	8,249,057
Gasoline and oil		**1,103,528**	1,145,335
	21	**P 64,353,627**	P 68,057,338

19.2 Cost of Rentals

The following are the details of direct costs and expenses of rentals, including common usage and service area charges:

	Notes	2018	2017
Depreciation	14	**P 49,182,402**	P 33,144,919
Utilities		**48,600,619**	36,409,691
Real property tax		**13,241,785**	12,123,702
Outside services		**16,775,631**	13,407,150
Repairs and maintenance		**9,259,960**	3,508,056
Office supplies		**3,091,761**	2,040,475
	21	**P 140,152,158**	P 100,633,993

20. OTHER INCOME (CHARGES)

Presented below are the details of Other Income (Charges).

20.1 Finance Costs

	Note	2018	2017
Interest expense on:			
Bank loans	16	**P 29,467,152**	P 32,759,673
Others		**1,905,012**	–
		P 31,372,164	P 32,899,381

20.2 Finance Income

	Notes	2018	2017
Interest income from:			
Receivables from sale of condominium units	9	**P 10,628,514**	P 1,554,783
Cash and cash equivalents	7	**2,689,418**	957,138
Foreign currency gains		**252,385**	248,061
		P 13,570,317	P 2,759,982

20.3 Other Income

	2018	2017
Income from rendering of administrative and other services	**P 7,200,000**	P 7,200,000
Income from equipment rental	**1,351,458**	2,287,988
Others	**629,356,780**	5,074,807
	P 637,908,238	P 14,562,795

In January 2018, prior to the termination of the JV Agreements discussed in Note 12.2, the Parent Company, together with the Ultimate Parent Company entered into a Memorandum of Agreement with a third party whereby the Parent Company and the Ultimate Parent Company transfer their rights provided for under the JV Agreements, including giving their consent in favor of the third party to be able to buy from ADI certain parcels of land contributed to the joint arrangement. Subject to certain terms and conditions governing the transfer of such rights to the third party, the Parent Company is entitled to consideration totaling P2,050.0 million over two years, of which a non-refundable portion amounting to P600.0 million was received by the Parent Company during the six months ended June 30, 2018, included as part of Others above.

21. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	**2018**	2017
Cost of sale of condominium units	9	**P 80,925,094**	P 90,409,623
Depreciation and amortization	13,14	**60,811,366**	46,051,885
Taxes and licenses		**60,081,475**	52,419,703
Utilities		**52,765,677**	40,559,097
Salaries and employee benefits		**46,183,300**	49,807,881
Construction materials and spare parts		**33,932,293**	16,002,615
Deferred gross profit on sale of condominium units	9	**25,064,080**	21,737,265
Subcontract		**24,703,222**	37,736,828
Outside services		**17,524,071**	15,744,759
Commission		**15,171,865**	24,052,522
Professional fees		**13,717,738**	63,401,440
Association dues		**13,278,686**	23,769,716
Repairs and maintenance		**11,312,420**	5,679,771
Representation and entertainment		**10,962,186**	3,857,060
Office supplies		**6,208,639**	4,569,879
Transportation and travel		**3,878,829**	1,748,120
Corporate affairs		**2,425,088**	403,030
Bond and insurance		**1,401,197**	1,691,172
Cost of sale of land	10	**40,079**	80,101,624
Others		**43,074,933**	10,905,522
		P 523,462,238	P 534,919,384

These expenses are classified in the condensed consolidated statements of comprehensive income as follows:

	Notes	2018	2017
Cost of rentals	19.2	**P 140,152,158**	P 100,633,993
Cost of sale of land	10	**40,079**	80,101,624
Cost of construction contracts	19.1	**64,353,627**	68,057,338
Sale of condominium units:			
Cost of sales	9	**80,925,094**	90,409,623
Deferred gross profit	9	**25,064,080**	21,737,265
General and administrative expenses		**208,364,916**	228,039,824
Selling expenses		**4,562,284**	1,669,845
		P 523,462,238	P 590,649,512

The details of general and administrative expenses are shown below.

	Notes	2018	2017
Taxes and licenses		**P 46,839,690**	P 40,296,001
Salaries and employee benefits		**44,981,959**	41,558,824
Commission		**15,171,865**	24,052,522
Professional fees		**13,717,738**	63,401,440
Association dues		**13,278,686**	23,769,716
Representation and entertainment		**10,962,186**	3,857,060
Depreciation and amortization	13, 14	**8,215,721**	7,983,462
Transportation and travel		**3,878,829**	1,748,120
Office supplies		**3,116,876**	2,529,404
Utilities		**3,061,829**	3,004,071
Corporate affairs		**2,425,088**	403,030
Repairs and maintenance		**2,052,460**	2,175,715
Bond and insurance		**1,401,197**	1,691,172
Outside services		**748,440**	2,337,610
Others		**38,512,352**	9,235,677
		P 208,364,916	P 228,039,824

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its Ultimate Parent Company, associates, joint ventures, related parties under common ownership and management, stockholders and key management personnel as described below.

The summary of the Group's significant transactions in 2018 and 2017 with its related parties and the outstanding balances as of June 30, 2018 and December 31, 2017 are presented below.

Related Party Category	Note	Outstanding Balances June 30, 2018 (Unaudited)	Outstanding Balances December 31, 2017 (Audited)	Amount of Transactions 2018	Amount of Transactions 2017
Ultimate parent company:					
Cash advances granted	22.1	**P 409,438,932**	P 400,425,054	**P 9,013,878**	P 380,708,845
Installment payable		**(4,644,167,018)**	(4,644,167,018)	**-**	-
Purchase of parcels of land		**473,256,000**	478,140,000	**(4,884,000)**	-
Associates:					
Cash advances granted	22.1	**7,081,944**	6,782,580	**299,364**	320,257
Rentals		**-**	-	**55,405**	63,319
Joint ventures:					
Cash advances granted	22.1	**95,829,756**	95,503,565	**326,191**	317,640
Construction contracts		**28,912,993**	28,912,993	**-**	-
Related parties under common ownership and management:					
Cash advances granted (collected)	22.1	**183,086,733**	172,271,510	**10,815,223**	(375,160,772)
Cash advances paid (obtained)	22.2	**(531,700)**	(428,838)	**(102,862)**	8,960,439
Association dues		**23,255,832**	10,017,642	**13,496,682**	12,220,588
Contracts of services		**-**	-	**13,483,152**	10,113,061
Other income		**-**	-	**7,200,000**	7,200,000
Rentals		**-**	-	**115,795**	126,640
Stockholders:					
Cash advances granted (collected)	22.1	**170,962,585**	159,319,974	**11,642,611**	(86,764,361)
Cash advances paid (obtained)	22.2	**(10,000,376)**	(11,461,396)	**1,461,020**	(1,219,082)
Key management personnel –					
Compensation		**-**	-	**24,227,457**	22,598,653

22.1 Advances to Related Parties

In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes.

The carrying amount of the account is broken down as follows:

	Note	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Current	8	**P 745,870,753**	P 714,770,208
Non-current		**120,529,197**	119,532,475
		P 866,399,950	P 834,302,683

The current portion of advances to related parties is broken down as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Ultimate parent company	**P 393,191,142**	P 384,486,679
Related parties under common ownership and management	**181,328,997**	170,659,809
Stockholders	**170,962,585**	159,019,974
Associates	**388,029**	603,746
	P 745,870,753	P 714,770,208

The non-current advances to related parties consist of advances to:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Joint ventures	**P 95,829,756**	P 95,503,565
Ultimate parent company	**16,247,790**	15,938,375
Associates	**6,693,915**	6,178,834
Related parties under common ownership and management	**1,757,736**	1,611,701
Stockholders	**-**	300,000
	P 120,529,197	P 119,532,475

22.2 Advances from Related Parties and Due to Ultimate Parent Company

The Group also obtains cash advances from other related parties to assist its daily operational and other requirements. The foregoing balances are broken down as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Current	**P 310,595,376**	P 312,485,234
Non-current	**4,343,572,018**	4,343,572,018
	P 4,654,167,394	P 4,656,057,252

Advances from and due to related parties consist of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Ultimate parent company	**P 4,644,167,018**	P 4,644,167,018
Stockholders	**10,000,376**	11,461,396
Related party under common ownership and management	**-**	428,838
	P 4,654,167,394	P 4,656,057,252

23. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	2018 (Unaudited)	2017 (Unaudited)
Net profit attributable to the equity holders of the Parent Company	**P 969,770,505**	P 685,730,680
Divided by weighted average number of outstanding common shares*	**3,056,277,650**	2,716,691,200
Basic and diluted earnings per share	**P 0.32**	P 0.25

*The Group has no potential dilutive common shares as of June 30, 2018 and December 31, 2017.

24. CAPITAL STOCK

The Parent Company's capital stock consists of:

	Shares		Amount	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Common shares – P1.00 par value				
Authorized – 4,000.0 million shares				
Issued and outstanding:				
Balance at beginning of period	**2,716,691,200**	1,716,691,200	**P 2,716,691,200**	P 1,716,691,200
Subscription during the period	**100**	-	**100**	-
Issuances during the period	**679,172,800**	-	**679,172,800**	-
Stock dividends declared	**-**	1,000,000,000	**-**	1,000,000,000
Balance at end of period	**3,395,864,100**	2,716,691,200	**P 3,395,864,100**	P 2,716,691,200

In their respective meetings on January 20, 2017, the Company's BOD and stockholders approved the declaration of stock dividends representing 1,000,000,000 common shares or equivalent to P1,000.0 million.

24.1 Additional Paid-in Capital

On June 29, 2018, the Company listed 679,172,800 common shares in the PSE at an offer price of P12 per share. Proceeds from the IPO amounted to P8,150.1 million. As of June 30, 2018, the Company incurred transaction costs incidental to the initial public offering (IPO) amounting to P516.4 million which was subsequently charged against additional paid-in capital.

As of June 30, 2018 and December 31, 2017, the Parent Company has 5 and 13 stockholders, owning 100 or more shares each of the Parent Company's capital stock, respectively.

25. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

25.1 Operating Leases – Group as a Lessor

The Group is a lessor under operating leases covering certain real estate properties presented in the consolidated statements of financial position as Investment Properties. The lease agreements have a term of one year, subject to annual renewal and monthly payment of minimum rental plus additional rental based on certain percentage of the lessee's gross sales. Lease agreements with large tenants have terms ranging from five to 45 years with monthly rental payment on certain rate per square meter of leased area subject to annual escalation rates of 5.00% to 10.00% per annum.

The future minimum lease collections under these operating leases as of the end of the reporting period is as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Within one year	**P 991,514,004**	P 678,351,396
After one year but not more than five years	**4,011,384,884**	2,659,730,237
More than five years	**32,826,936,922**	32,772,787,185
	P 37,829,835,810	P 36,110,868,818

25.2 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

25.3 Deficiency Tax Assessments

The Group has certain final deficiency tax assessment and has received letters of authority from the Bureau of Internal Revenue (BIR), pursuant to which the BIR has sought to investigate certain tax periods of the Group and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. There are final deficiency tax assessments in the ordinary course of business against the Parent Company that are pending with the BIR covering taxable years 2013 and 2009. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsels and advisors in relation to these matters.

As of June 30, 2018, the final deficiency tax assessments are still under protest. Management believes that the Group has enough basis in law, Supreme Court and Court of Tax Appeals decisions, and evidence to support their claim; hence, no provisions were recognized in the consolidated financial statements.

25.4 Reclaimed Land and Others

The Group's existing land holdings in Aseana City, which were obtained pursuant to certain series of agreements involving reclamation and related projects with the Philippine Government, are entirely located on reclaimed foreshore land. Although the Group holds registered titles to these land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. In view of this, the Group's ownership, registration, and possession of titles and actual possession of these land holdings do not negate the possibility that the Philippine Government or third parties may at any time, file lawsuits to challenge the Group's rights to these land holdings. While the Philippine Reclamation Authority (PRA) and the Philippine Office of the Government Corporate Counsel (OGCC) are of the opinion that the Group's titles can no longer be invalidated, there is no assurance that the Philippine Government or third parties will not challenge the Group's rights to such reclaimed lands in the future. Notwithstanding the foregoing, the Group is not aware of the validity of the Group's titles being questioned, impugned, challenged or invalidated by the Philippine Government or any other third party since the time the Group acquired ownership over these land holdings in Aseana City and up to the audit report date. In addition to the opinions of the PRA and OGCC, management believes that the Group has enough basis in law and in the decisions of the relevant courts, to support the validity of its titles and ownership over these subject properties.

There are other commitments, litigations and contingencies that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of June 30, 2018, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions primarily those current and expected future events that affect or likely to affect the real estate and leasing sector. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the ratio of loans and borrowings to total capital and net loans and borrowings to total capital. Loans include all short-term and long-term borrowings while net interest-bearing loans include all short-term and long-term loans net of cash and cash equivalents.

As of June 30, 2018 and December 31, 2017, the Group's ratios of net interest-bearing loans to total capital are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Total loans and borrowings	**P 2,197,858,411**	P 2,476,902,945
Less: Cash and cash equivalents	**(9,690,462,988)**	(1,431,417,365)
Net loans and borrowings (a)	**(7,492,604,577)**	1,045,485,580
Total equity	**18,865,723,589**	10,256,894,489
Net loans and borrowings and equity (b)	**11,571,220,356**	11,302,380,069
Gearing ratio (a/b)	**(65%)**	9%

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
Schedule of Financial Indicators for December 31, 2017 and 2016
As required under SRC Rule 68, as amended
For the Period Ended June 30, 2018 and 2017
(Amounts in Philippine Pesos)

		June 30, 2018	June 30, 2017
I.	**Current/liquidity ratios**		
a.	Current Ratio: Total Current Assets / Total Current Liabilities	**2.76**	**1.54**
b.	Quick Ratio: [Cash and Cash Equivalents + Receivables - net] / Total Current Liabilities	**2.01**	**0.76**
II.	**Solvency ratios**		
a.	Solvency Ratio (Annualized): Earnings Before Interest and Taxes / Total Liabilities	**14%**	**11%**
b.	Debt Ratio: Total Loans and Borrowings / Total Assets	**6%**	**10%**
c.	Debt-to-Equity Ratio: Total Loans and Borrowings / Total Equity Attributable to Owners of Parent Company	**12.0%**	**31%**
III.	**Asset-to-equity ratio**		
	Total Assets / Total Equity Attributable to Owners of Parent Company	**2.13**	**3.22**
IV.	**Interest Coverage Ratio**		
	Earnings Before Interest and Taxes / Interest Costs*	**42.2**	**29.9**
V.	**Profitability Ratios**		
a.	Net Profit Margin: Net profit Attributable to Owners of the Parent Company / Revenues	**81%**	**44%**
b.	Gross Profit Margin: Gross Profit / Revenues	**74.0%**	**77.0%**
c.	Return on Equity (Annualized): Net profit Attributable to Owners of the Parent Company / Average Equity Attributable to Owners of the Parent Company	**14.5%**	**18.0%**
d.	Return on Assets (Annualized): Net profit Attributable to Owners of the Parent Company / Average Total Assets	**5.8%**	**6.0%**
e.	Recurring income: Rental revenue / Total revenue	**80.4%**	**47.7%**

D. M. WENCESLAO & ASSOCIATES, INCORPORATED
3rd Floor, Aseana Powerstation Building
D. Macapagal Blvd. cor. Bradco Ave., Aseana City, Paranaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of June 30, 2018

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year	P 4,408,212,490
Prior Year's Outstanding Reconciling Items	
Rent income based on Philippine Accounting Standard (PAS) 17, *Leases*	(2,298,453,530)
Gain on exchange of parcels of land for shares of stock	(1,015,991,664)
Deferred tax income from deferred tax assets	(248,706,789)
Revaluation increment on land	(19,047,893)
Unrealized gross profit on real estate sale	(12,305,670)
Deferred gain on sale of land	(8,901,800)
Unrealized foreign currency gains	(912,823)
	(3,604,320,169)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	803,892,321
Net Profit Realized During the Year	
Net profit per audited financial statements	793,092,253
Non-actual/unrealized income	
Rent income based on PAS 17	(281,439,066)
	511,653,187
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P 1,315,545,508**

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DMW's Net Income Grew by 42% to P970 million in 1H 2018

Financial and Operational Highlights
(In Millions Pesos, except for financial ratios and percentages)

	Six months ended June 30 (UNAUDITED)				
	2018	**% to Revenues**	**2017**	**% to Revenues**	**% Change**
Profit & Loss Data					
Revenues	1,197	100%	1,556	100%	(23%)
Cost of services and sales	311	26%	361	23%	(14%)
Gross profit	887	74%	1,195	77%	(26%)
Operating expenses	213	18%	230	15%	(7%)
Other income(charges)	620	52%	(15)	(1%)	4,080%
Net income attributable to owners of the Parent company	970	81%	685	44%	42%

	Second Quarter (UNAUDITED)				
	2018	**% to Revenues**	**2017**	**% to Revenues**	**% Change**
Profit & Loss Data					
Revenues	637	100%	1,072	100%	(41%)
Cost of services and sales	210	33%	207	19%	2%
Gross profit	427	67%	865	81%	(51%)
Operating expenses	99	16%	143	13%	(31%)
Other income(charges)	324	51%	(8)	1%	4,344%
Net income attributable to owners of the Parent company	503	79%	535	50%	(6%)

	Jun 30 2018 (UNAUDITED)	**% to Total Assets**	**Dec 31 2017** (AUDITED)	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	38,689	100%	29,051	100%	33%
Total Liabilities	19,823	51%	18,794	65%	5%
Total Equity attributable to owners of the Parent company	18,201	47%	9,598	33%	90%

Other Key Financial Ratios	As of the period ended December 31, 2017	June 30, 2018
Current Ratio	1.55	2.76
Debt to Equity	26%	12%
Return on Equity	18%	15%
Asset to Equity	3.03	2.13
Recurring Income Contribution	50.0%	80.4%

Key Operating Data	As of the period ended December 31, 2017	June 30, 2018
Total leased land area (sq.m.)	150,521	155,418
Total leasable floor area (sq.m.)	59,000	89,914
Total occupancy rate (leased buildings) (%)	94.1%	99.0%

Revenue

Total consolidated revenue decreased by P359 million, or 23.0%, from P1,556 million in the first half of 2017 to P1,197 million in the same period in 2018, primarily due to the following:

Rentals

Our total rental revenue from rentals increased by P220 million, or 29.6%, from P742 million in the first half of 2017 to P962 million in the same period of 2018.

- Rentals of Land. Rentals of land increased by P23 million, or 5.0% from P459 million in 2017 to P482 million in 2018. The increase was primarily attributable to the addition of Prestige Bay Development Corporation as a lessee commencing in March 2018, with a leased land area of 4,897.0 sq.m. Our total leased land area increased from 150,521 sq.m. as of June 30, 2017 to 155,418 sq.m. as of June 30, 2018.

- Rentals of Building. Rentals of building increased by P144 million, or 69.5%, from P208 million in 2017 to P352 million in 2018. The increase was primarily attributable to the effect of the completion and recognition of rentals from Aseana Three starting January 2018. As of June 30, 2017, Aseana Three is not yet completed and no rental revenue has yet been recognized. Our total leased floor area increased from 59,000 sq.m. as of June 30, 2017 to 89,914 sq.m. as of June 30, 2018.

- Other revenue. Other revenue increased by P53 million, or 69.6%, from P75 million in 2017 to P128 million in 2018. The increase was primarily attributable to the effect of occupancy in Aseana Three, which contributed to an increase in CUSA fees payments received from our tenants.

Land Sales

In order to support its expansion and finance the development of its pipeline projects, the Company usually sells certain lots in Aseana City as part of its financing strategy. As of June 2018, the Parent Company received P600 million as Other income (see discussion on Other income) which resulted in the Parent Company not needing to sell lots in Aseana City to support the Group's development projects. Hence, no sale of land in Aseana City was transacted in the first half of 2018. Sale of lots in Aseana City amounted to P605 million for the first half of 2017.

Construction Contracts

Revenue from construction contracts increased by P19 million, or 18.9%, from P96 million in 2017 to P115 million in 2018. The increase was attributable primarily to the additional collection from Tarlac-Pangasinan-La Union Expressway (TPLEX) project as a result of previously filed change order which was only approved and collected in 2018.

Sale of Condominium Units

The revenue from sale of condominium units increased by P7 million in 2018. This increase was attributable primarily to realized gross profit on prior year's sale amounting to P5 million which was recognized during the year as a result of increase in percentage of completion. Furthermore, additional revenue amounting to P2 million from the current year's sale was recognized due to the additional five (5) parking slots sold in Pixel Residences that reached our 20% threshold for revenue recognition.

Cost of Services and Sales

Our consolidated cost of services and sales decreased by P50 million, or 14.0%, from P361 million in the first half of 2017 to P311 million in the same period of 2018.

Rentals

Costs of rentals increased by P39 million, or 39.3%, from P101 million in 2017 to P140 million in 2018. In January 2018, Aseana Three was completed and was already occupied by certain tenants. The increase in cost was due primarily to an increase in depreciation expenses of P16 million, and increase in utilities of P12 million, an increase in repairs and maintenance of P6 million and an increase in outside services of P3 million.

Land Sales

Costs of land sales decreased by P80 million, or 100%, from P80.1 million in 2017 to nil in 2018. As discussed in a previous paragraph, there is no land sale in Aseana City for the first half of 2018.

Construction Contracts

Costs of construction contracts decreased by P4 million, or 5.4%, from P68 million in 2017 to P64 million in 2018. The decrease was attributable primarily to no corresponding construction costs was recorded related to the additional collection from TPLEX project.

Operating expenses

Operating expenses decreased by P17 million, or 7%, from P230 million in 2017 to P213 million in 2018. The decrease was attributable primarily to the legal costs incurred in prior year.

Other Income (Charges)

Other income (charges) increased by P636 million, or 4,080% from P16 million net charges in the first half in 2017 to P620.0 million income in the same period in 2018 primarily due to the consideration received in relation to the transfer of rights of the Parent Company to a third party.

Finance Costs

Finance costs decreased by P2 million, or 4.6%, from P33 million in 2017 to P31 million in 2018. The decrease was attributable primarily to the re-payment of loans and borrowings.

Finance Income

Finance income increased by P11 million, or 392.0%, from P3 million in 2017 to P14 million in 2018. The increase was attributable primarily to the recognition of interest income from real estate sales, taking into account the effective interest yield on real estate receivables.

Other Income

Other Income increased by P623 million, or 4,419.4%, from P15 million in 2017 to P638 million in 2018. The increase was due primarily to the non-refundable consideration received in relation to the transfer of rights to a third party, including giving the Company's consent in favor of a third party to be able to buy from another party certain parcels of land contributed to a joint arrangement (see note 20 to the condensed consolidated financial statements). Subject to certain terms and conditions governing the transfer of such rights to the third party, the Company is entitled to consideration totaling P2,050.0 million over two years, of which a non-refundable portion amounting to P600.0 million was received by the Company in the first half of 2018.

Tax Expenses

Our tax expenses increased by P53 million, or 19.9%, from P266 million in 2017 to P319 million in 2018, representing an effective income tax rate of 26.6% and 17.1% of gross revenue, respectively. The increase in the effective income tax rate was due to the recognition of other income from the sale of rights and the decrease of revenue from the sale of land in 2018.

Net Profit

Net profit equals profit before tax less tax expenses. Net profit attributable to parent company increased by P285 million, or 42%, from P685 million in 2017 to P970 million in 2018. The increase is primarily attributable to the contribution of the newly completed office building and the other income recognized in relation to transfer of rights of land. Our net profit margins in 2018 and 2017 were 81% and 44%, respectively.

Balance Sheet Accounts
Total Assets

The Company's total assets increased by P9,638 million, or 33%, from P29,051 million as of December 31, 2017 to P 38,689 million as of June 30, 2018 due to the following:

Cash and cash equivalents increased by P8,260 million, or 577%, from P1,431 million to P9,691 million as of December 31, 2017 and June 30, 2018, respectively, primarily due to the proceeds from the initial public offering.

Receivables increased by P922 million, or 22%, from P4,248 million to P5,170 million as of December 31, 2017 and June 30, 2018, respectively, primarily due to deposit made to a certain subcontractor of the on-going construction of office building, recognition of rental receivable based on PAS17 and recognition of additional contracts from sale of condominium units.

Property development costs increased by P73 million, or 12%, from P593 million to P666 million as of December 31, 2017 and June 30, 2018, respectively, primarily due to the cost incurred in constructing Pixel Residences.

Other current assets increased by P126 million, or 24%, from P533 million to P659 million as of December 31, 2017 and June 30, 2018, respectively, due to input VAT recognized related to payment to subcontractors.

Investment property increased by P3,126 million, or 20%, from P15,622 million to P18,749 million as of December 31, 2017 and June 30, 2018, respectively, primarily due to the reclassification of the carrying amount of its investment in joint venture under Investment in joint venture account in the condensed consolidated financial statements (see also Note 12.2 of the condensed consolidated financial statements).

Total Liabilities

Total liabilities increased by P1,030 million, or 5%, from P18,794 million to P18,666 million from December 31, 2017 to June 30, 2018, respectively, due to the following:

Loans and borrowings decreased by P279 million, or 11%, from P2,477 million to P2,198 million as of December 31, 2017 and June 30, 2018, respectively, due to payment of maturing loans.

Trade and other payables increased by P1,052 million, or 96%, from P1,093 million to P2,145 million as of December 31, 2017 and June 30, 2018, respectively, primarily due to accrual of taxes incidental to listing of shares, payables to contractors and suppliers and output VAT payable.

Deposits and advances increased by P113 million, or 10%, from P1,115 million to P1,228 million as of December 31, 2017 and June 30, 2018, respectively, mainly due to advance rental and security deposit received from tenants related to new office building.

Current Estimated liability for land and land development costs decreased by P36 million, or 6%, from P571 million to P535 million as of December 31, 2017 and June 30, 2018, respectively, due to costs incurred in developing the Aseana City in accordance with the master plan.

Reserve for property development costs increased by P49 million, or 35%, from P144 million to P193 million as of December 31, 2017 and June 30, 2018, respectively, mainly due to cash collections from the sale of condominium units.

Deferred tax liabilities increased by P115 million, or 20%, from P589 million to P704 million as of December 31, 2017 and June 30, 2018, respectively, due to recognition of income taxes related to deferred rental income.

Total Equity

Total equity increased by P8,603, or 90%, from P9,598 million to P18,201 million as of December 31, 2017 and June 30, 2018, respectively, primarily due to the following:

Capital stock increased by 25% due to the listing of the Company's shares on June 29, 2018.

Additional paid-in capital increased by P6,955 million, or 100% as of June 30, 2018 mainly due to recognition of proceeds net of par value of listed shares and transaction costs incidental to the offering.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company, (b) Debt to equity which determines the Company's financial leverage, (c) Return on equity which measures the profitability to capital provided by stockholders, (d) net income ratio which measures the ratio of net profit to total gross revenue and, (e) recurring income contribution.

Current ratio increased to 2.76 from 1.55 as of June 30, 2018 and December 31, 2017, respectively, mainly due to the proceeds from the listing of the Company's shares.

Debt to equity ratio decreased to 12% from 26% as of June 30, 2018 and December 31, 2017, respectively, due to payment of maturing loans and the increase in equity due to the listing of shares.

Return on equity decreased to 14% from 18% as of June 30, 2018 and December 31, 2017, respectively, as a result of increase in equity.

Net income margin increased to 81% as of the first half in 2018 from 44% as of the same period in 2017 mainly due to the non-refundable consideration received in relation to the transfer of rights of a land which is presented as part of Other income account in the condensed consolidated statements of comprehensive income.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

Key Operating Data

As at June 30, 2018, the Company's fifth self-developed office building was completed and contributed an additional leasable gross floor area of 30,914 sq.m., or an increase by 52%, from 59,000 sq.m to 89,914 sq.m. The newly constructed building is 99% occupied as of the end of first half in 2018. Average occupancy rate of total commercial buildings is 99%. Currently, the Company has leased land area increased by 4,897 sq.m., or 3% from 150,521 sq.m. to 155,418 sq.m.

Also during the first half of 2018, construction started on 8912 Asean Ave., initially called Aseana Four, an office building due for completion in 2021. Construction remains on track for residential condominium project Pixel Residences which is expected to be completed by 2019.

Project and Capital Expenditure

For the year 2018, the Company expects to incur capital expenditures of approximately P2,428 million which will be funded with the proceeds from the offering and internally generated funds and external borrowings. Total capital expenditures for the first half of 2018 amounted to P441 million. Of the total capital expenditure, 87% pertains to development projects, 8% pertains to the development of Aseana City and 5% pertains to purchase of construction and transportation equipment.

SIGNATURES

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

Issuer: **D.M. WENCESLAO & ASSOCIATES, INC.**

By:

DELFIN ANGELO C. WENCESLAO
Chief Executive Officer

ATTY. HEHERSON M. ASIDDAO
Chief Finance Officer

Date: July 31, 2018